

**Primary Fluid Power Limited**

**Directors' report and financial  
statements**

**Registered number 926679**

**For the year ended 31 December 2002**



A47  
COMPANIES HOUSE

\*AEGFAQL4\*

0479  
04/12/03



## Contents

Directors' report	1
Statement of directors' responsibilities	2
Independent auditors' report to the members of Primary Fluid Power Limited	3
Profit and loss account	4
Balance sheet	5
Notes	6



## Directors' report

The directors present their annual report and the audited financial statements for the period ended 31 December 2002.

### Principal activity

The company's principal activity is the supply of hydraulic and pneumatic components to the engineering industry.

### Business review

The results for the period are shown on page 4 of the financial statements.

### Dividends

The directors do not recommend the payment of a dividend (2001: £Nil).

### Directors and directors' interests

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

E Dorhout Mees  
G Meijerink  
S Merrie

The directors have no beneficial interests in the ordinary shares of the company or any notifiable interests in the shares of group companies.

### Auditors

KPMG were re-appointed auditors on 31 August 2001. However, since that date their business was transferred to a limited liability partnership, KPMG LLP. Accordingly, KPMG resigned as auditors on 13 June 2002 and the directors thereupon appointed KPMG LLP to fill the vacancy arising. A resolution for the re-appointment of KPMG LLP as auditors of the company is to be proposed at the forthcoming annual general meeting.

By order of the board

S Merrie  
Director



Caddick Road  
Knowsley Industrial Park  
Knowsley  
Merseyside  
L34 9HP



## Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss 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 accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.





8 Princes Parade  
Liverpool  
L3 1QH

## **Independent auditors' report to the members of Primary Fluid Power Limited**

We have audited the financial statements on pages 4 to 17.

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 are responsible for preparing the directors' report and, as described on page 2, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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 with the company is not disclosed

### **Basis of 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 as at 31 December 2002 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

*KPMG LLP*

*3 December 2003*

*KPMG LLP  
Chartered Accountants  
Registered Auditor*



**Profit and loss account**  
*for the period ended 31 December*

	<i>Note</i>	<b>2002</b> <b>£000</b>	2001 £000
<b>Turnover</b>	2	<b>9,771</b>	12,700
Cost of sales		<b>(6,439)</b>	(8,769)
<b>Gross profit</b>		<b>3,332</b>	3,931
Administrative expenses		<b>(2,118)</b>	(2,670)
Other operating charges		<b>(658)</b>	(865)
<b>Operating profit</b>			
Before exceptional items		<b>556</b>	396
Exceptional items	4	<b>(191)</b>	98
		<b>365</b>	494
Profit on sale of fixed assets		<b>10</b>	(43)
Interest receivable and similar income	7	<b>3</b>	9
Interest payable and similar charges	8	<b>(249)</b>	(232)
<b>Profit on ordinary activities before taxation</b>	3	<b>129</b>	228
Tax on profit on ordinary activities	9	<b>-</b>	-
<b>Profit for the financial period</b>		<b>129</b>	228

Turnover and operating profit arise from the company's continuing operations.

There were no recognised gains or losses during the current or preceding period apart from the profit for the financial period shown above.

Movements in reserves are set out in note 18 to the financial statements.



**Balance sheet**  
*at 31 December*

	Note	2002 £000	2001 £000
<b>Fixed assets</b>			
Tangible assets	10	768	1,623
<b>Current assets</b>			
Stocks	11	3,065	3,150
Debtors	12	2,897	2,864
Cash at bank and in hand		162	175
		<u>6,124</u>	<u>6,189</u>
<b>Creditors: Amounts falling due within one year</b>	13	<u>(4,008)</u>	<u>(6,206)</u>
<b>Net current assets/(liabilities)</b>		<u>2,116</u>	<u>(17)</u>
<b>Total assets less current liabilities</b>		<u>2,884</u>	<u>1,606</u>
<b>Creditors: Amounts falling due after more than one year</b>	14	<u>(1,218)</u>	<u>-</u>
<b>Provisions for liabilities and charges</b>	15	<u>-</u>	<u>(69)</u>
<b>Net assets</b>		<u>1,666</u>	<u>1,537</u>
<b>Capital and reserves</b>			
Called up share capital	17	7,800	7,800
Profit and loss account	18	(6,134)	(6,263)
<b>Equity shareholders' funds</b>		<u>1,666</u>	<u>1,537</u>

These financial statements were approved by the board of directors on \_\_\_\_\_ and were signed on its behalf by:

28th November 2003.



S Merrie  
Director



## Notes

*(forming part of the financial statements)*

### 1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements:

#### *Basis of preparation*

The financial statements have been prepared in accordance with applicable Accounting Standards and under the historical cost accounting rules.

Under Financial Reporting Standard 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements.

As the company is a wholly owned subsidiary of SITO Financial Services BV, the company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties). The consolidated financial statements of SITO Financial Services BV, within which this company is included, can be obtained from the address given in note 21.

#### *Fixed assets and depreciation*

Depreciation is provided by the company on the cost of fixed assets (less their residual value) on a straight line basis over their estimated useful economic lives as follows:

Freehold buildings	-	2% per annum
Plant and machinery	-	20% per annum
Office equipment	-	20% per annum
Motor vehicles	-	25% per annum

No depreciation is provided on freehold land.

#### *Hire purchase and leases*

Assets held under hire purchase contracts are integrated with owned tangible fixed assets and the obligations relating thereto, excluding finance charges, are included in creditors. Costs in respect of operating leases are charged in arriving at the operating result.

#### *Pension costs*

The company operates two defined contribution pension schemes. The assets of the schemes are held separately from those of the company in independently administered funds. The amounts charged against profits represents the contributions payable to the schemes in respect of the accounting period.

#### *Stocks*

Stocks are stated at the lower of cost and estimated net realisable value. In determining the cost of raw materials, consumables and goods purchased for resale, the value is on a standard cost basis. For work in progress and finished goods manufactured by the company, cost is taken as production cost, which includes an appropriate proportion of attributable overheads.



## Notes (continued)

### 1 Accounting policies (continued)

#### Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains and losses on translation are included in the profit and loss account.

#### Taxation

The charge for taxation is based on the result for the year and takes into account taxation deferred. Provision is made for timing differences between the treatment of certain items for taxation and accounting purposes. The company has adopted the provisions of FRS19 – Deferred Tax. Except where otherwise required by accounting standards, full provision without discounting is made for all timing differences which have arisen, but not reversed at the balance sheet date.

### 2 Turnover

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services to customers during the period.

Analysis of turnover by geographical market is as follows:

	2002 £000	2001 £000
United Kingdom	9,628	12,442
Rest of Europe	97	153
Rest of world	46	105
	<u>9,771</u>	<u>12,700</u>

### 3 Profit on ordinary activities before taxation

	2002 £000	2001 £000
<i>Profit) on ordinary activities before taxation is stated</i>		

*after charging*

Depreciation	153	198
Vehicle contract hire payable under operating leases	138	160
Property rental payable under operating leases	6	36
Hire of office equipment	5	7
Auditors' remuneration	22	23
- audit fees		
- non audit fees	3	5
	<u></u>	<u></u>



## Notes (continued)

### 4 Exceptional items

	2002 £000	2001 £000
Release of surplus provisions set up on acquisition of the Lucas Fluid Power Division (see note 15)	(69)	(98)
Relocation costs	260	-
	<u>191</u>	<u>(98)</u>

### 5 Remuneration of directors

	2002 £000	2001 £000
Salary and benefits	81	100
Compensation for loss of office	-	76
Pension contributions to money purchase schemes	4	3
	<u>85</u>	<u>179</u>

One director was a member of a money purchase scheme operated by the company until he left the company during the year (2001: 1).

### 6 Staff numbers and costs

The average number of persons employed by the company (including directors) during the period, analysed by category, was as follows:

	Number of employees	
	2002	2001
Administration	8	13
Sales and service	88	90
Warehouse	11	15
	<u>107</u>	<u>118</u>

The aggregate payroll costs of these persons were as follows:

	2002 £000	2001 £000
Wages and salaries	1,793	2,178
Social security costs	177	247
Other pension costs (see note 20)	149	110
	<u>2,119</u>	<u>2,535</u>



## Notes (continued)

### 7 Interest receivable and similar income

	2002 £000	2001 £000
Bank interest	3	9

### 8 Interest payable and similar charges

	2002 £000	2001 £000
On bank loans, overdrafts and other loans	169	232
Foreign exchange difference on loans due to group undertakings	80	-
	<u>249</u>	<u>232</u>

### 9 Taxation

	2002 £000	2001 £000
<i>UK corporation tax</i>		
Current tax on income for the period	-	3
Adjustments in respect of prior periods	-	-
	<u>-</u>	<u>3</u>
<i>Deferred tax</i>		
Origination/reversal of timing differences	-	(3)
Adjustment in respect of prior periods	-	-
	<u>-</u>	<u>(3)</u>
<b>Tax on profit on ordinary activities</b>	<u><u>-</u></u>	<u><u>-</u></u>

#### Factors affecting the tax charge for the current period

The current tax charge for the period is higher (2001:higher) than the standard rate of corporation tax in the UK which is 30% (2001:30 %). The differences are explained below:

	2002 £000	2001 £000
<b>Current tax reconciliation</b>		
(Loss) on ordinary activities before taxation	129	228
Current tax at 30% (2001 : 30%)	<u>39</u>	<u>68</u>
Effects of:		
Other timing difference	25	(97)
Depreciation for the year in excess of capital allowances	38	2
Permanent differences	9	53
Adjustment in respect of prior year	-	-
Losses created	<u>(111)</u>	<u>(23)</u>
<b>Total current tax charge (see above)</b>	<u><u>-</u></u>	<u><u>3</u></u>



## Notes (continued)

### 10 Tangible fixed assets

	Freehold property £000	Leasehold property £000	Plant and machinery £000	Motor vehicles £000	Office equipment £000	Total £000
<b>Cost</b>						
At beginning of period	1,361	201	383	158	1,229	3,332
Additions	321	-	-	-	47	368
Disposals	(1,151)	(100)	-	-	(92)	(1,343)
<b>At end of period</b>	<b>531</b>	<b>101</b>	<b>383</b>	<b>158</b>	<b>1,184</b>	<b>2,357</b>
<b>Depreciation</b>						
At beginning of period	187	10	336	158	1,018	1,709
Charge for period	15	-	20	-	118	153
On disposals	(176)	(5)	-	-	(92)	(273)
<b>At end of period</b>	<b>26</b>	<b>5</b>	<b>356</b>	<b>158</b>	<b>1,044</b>	<b>1,589</b>
<b>Net book value</b>						
At 31 December 2002	505	96	27	-	140	768
At 31 December 2001	1,174	191	47	-	211	1,623

Land of £nil (2001: £217,500) included in freehold property is not depreciated.

### 11 Stocks

	2002 £000	2001 £000
Finished goods and goods for resale	3,065	3,150

### 12 Debtors

	2002 £000	2001 £000
Trade debtors	2,806	2,782
Prepayments and accrued income	79	82
Amounts owed by group undertakings	12	-
	<b>2,897</b>	<b>2,864</b>



**Notes (continued)**

**13 Creditors: amounts falling due within one year**

	2002	2001
£000	£000	£000
Bank loans and overdrafts	-	1,708
Trade creditors	1,440	2,097
Amounts owed to group undertakings	1,855	2,009
Other creditors including taxation and social security:		
Other taxes and social security	381	282
Other creditors	18	37
	<u>399</u>	<u>319</u>
Accruals and deferred income	314	73
	<u>4,008</u>	<u>6,206</u>

**14 Creditors: amounts falling due after more than one year**

	2002	2001
£000	£000	£000
Bank loans and overdraft	299	-
Amounts owed to group undertakings	919	-
	<u>1,218</u>	<u>-</u>

Borrowings, excluding bank overdrafts, outstanding at 31 December 2002 are repayable as follows:

	Other loans	
	2002	2001
	£000	£000
Debts can be analysed as falling due:		
Between one and two years	20	-
Between two and five years	80	-
In five years or more	199	-
	<u>299</u>	<u>-</u>



**Notes (continued)**

**15 Provisions for liabilities and charges**

**(a) Rationalisation and other provisions**

	2002 £000	2001 £000
At beginning of period	69	167
Utilised during the period	-	-
Additional amounts provided	-	-
Surplus provisions released to profit and loss account	(69)	(98)
	<hr/>	<hr/>
At end of year	-	69
	<hr/>	<hr/>

The surplus provision released in 2002 of £69,000 relates to provisions set up in respect of the acquisition of part of the Lucas Fluid Power Division in 1993.

**(b) Deferred taxation**

The provided and unprovided amounts for deferred taxation at 30% (31 December 2001: 30%) are as follows:

	2002		2001	
	Provided £000	Unprovided £000	Provided £000	Unprovided £000
Accelerated capital allowances	-	(32)	-	(43)
Short term timing differences	-	(43)	-	(32)
Losses	-	(1,012)	-	(1,059)
	<hr/>	<hr/>	<hr/>	<hr/>
	-	(1,087)	-	(1,134)
	<hr/>	<hr/>	<hr/>	<hr/>

The deferred tax asset has not been recognised as, in the opinion of the directors, the company will not make sufficient profits in the foreseeable future for the benefit of the asset to be realised.



## Notes (continued)

### 16 Commitments

#### (a) Capital expenditure

At 31 December 2002 there were outstanding capital commitments of £nil (2001: £50,000).

#### (b) Operating leases

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

	2002		2001	
	Vehicle	Property	Vehicle	Property
	contract	Rent	contract	rent
	hire		hire	
	£000	£000	£000	£000
Operating leases which expire:				
Within one year	14	-	81	-
In the second to fifth years inclusive	76	-	57	-
After more than five years	-	-	-	36
	<u>90</u>	<u>-</u>	<u>138</u>	<u>36</u>

Included within the annual commitment for property rent are amounts of £nil (2001: £36,000) which are charged to third parties under sub-lease arrangements.

### 17 Called up share capital

	2002	2001
	£000	£000
<i>Authorised</i>		
7,850,000 ordinary shares of £1 each	7,850	7,850
	<u>7,850</u>	<u>7,850</u>
<i>Allotted, called up and fully paid</i>		
7,800,100 ordinary shares of £1 each	7,800	7,800
	<u>7,800</u>	<u>7,800</u>

### 18 Reserves

	Profit and Loss Account
	2002 £000
At beginning of period	(6,263)
Profit for the period	129
	<u>(6,134)</u>
At end of period	(6,134)



## Notes (continued)

### 19 Reconciliation of movements in shareholders' funds

	2002 £000	2001 £000
Profit for the financial period being the net reduction in shareholders' funds	127	228
Opening shareholders' funds	1,537	1,309
<b>Closing shareholders' funds</b>	<b>1,664</b>	<b>1,537</b>

### 20 Post retirement Benefits

The company operates a defined benefit scheme, the Berendsen Fluid Power 1993 Pension Scheme. The assets of the scheme are held in a separate trustee administered fund.

The pension charge for the period was £nil (2001: £nil).

The pension cost in relation to the Scheme is charged to the profit and loss account evenly over members' expected working service lives, and assessed in accordance with the advice of independent qualified actuaries using the "Projected Unit" method of valuation. The net (creditor)/debtor for pension costs in relation to the pension scheme at 31 December 2002 was £nil (2001: £nil).

The most recent actuarial valuation showed that the market value of the scheme's assets was £1,685,000 at 31 December 2001 and that the actuarial value of those assets represented 116% of the benefits that had accrued to members, after allowing for expected future increases in earnings.

As the scheme is now in the process of being wound up, the contribution of the company and employees were £nil and £nil respectively.

The calculations used for FRS17 disclosures have been on the most recent actuarial valuations to take account of requirements of FRS17 in order to assess the liabilities of the Pension Scheme at 31 December 2002. Scheme assets are stated at their market value at 31 December 2002.

The principal actuarial assumptions are shown below:

	2002 %p.a.	2001 %p.a.
Rate used to discount share liabilities	5.32	5.74
Inflation rate	2.4	2.6
Rate of increase of pensionable salaries	3.9	4.1
Rate of increase of pensions in payment and deferment	2.4	2.6



## Notes (continued)

### 20 Post retirement benefits (continued)

The long term expected rates of return with respect to assets held are shown below:

	2002 %p.a.	2001 %p.a.
Equities	7.0	7.0
Bonds	5.0	5.0
Cash	2.5	4.0

The assets in the scheme at 31 December 2002 were:

	2002 £000	2001 £000
Equities	1,091	1,391
Bonds	153	184
Cash	42	101
Total market value of assets	1,286	1,676
Present value of liabilities	(1,581)	(1,429)
(Deficit)/surplus	(295)	247
Related deferred tax asset/(liability)	89	(74)
Net pension liability	(206)	173

The inclusion of these schemes net liabilities within the company's balance sheet would have the following effect on the company's operating profit:

	2002 £000
Current service cost	-
Past service costs	-
	-

Analysis of the amount which would have been included in other finance charges:

	2002 £000
Expected return on pension scheme assets	108
Interest on pension liabilities	(81)
Other finance charges	27



## Notes (continued)

### 20 Post retirement benefits (continued)

Analysis of amount that would have been recognised in the statement of total recognised gains and losses (STRGL):

	2002 £000
Actual return less expected return on pension scheme assets	(471)
Experience gains and losses on pension scheme liabilities	(25)
Changes in assumption underlying the present value of the scheme	(73)
	<u>(569)</u>
Actuarial loss recognised in the STRGL	<u><u></u></u>

Analysis of the movement in the pension scheme deficit over the period:

	2002 £000
Surplus/(deficit) in the scheme at the start of the period	247
Operating charge	-
Other finance charges	27
Actuarial gain/(loss)	(569)
Deficit in the scheme at the end of the year	<u><u>295</u></u>

History of experience gains and losses:

	2002 %	2002 £000
Of scheme assets:		
Difference between expected and actuarial return on scheme assets	36.7	(471)
Of scheme liabilities:		
Experience gains and losses on scheme liabilities	1.6	(25)
Total amount recognised in the STRGL	36.0	(569)

The company also operates a defined contribution scheme, the Berendsen Fluid Power Scheme. The pension charge for the period was £149,000 (2001:£110,000).

The net creditor for pension costs in relation to the pension scheme at 31 December 2002 was £9,985 (2001:£12,308).



## Notes (continued)

### 21 Ultimate holding company

By virtue of the company being a wholly owned subsidiary included in the consolidated financial statements of a larger EU group, the company is exempt under Financial Reporting Standard 8 from disclosing transactions or balances with entities which are part of the group that qualify as related parties.

The company's immediate holding company is S Berendsen Limited.

Copies of the financial statements can be obtained from:

S Berendsen Limited  
c/o Primary Fluid Power Limited  
Caddick Road  
Knowsley Business Park  
Knowsley  
Merseyside  
L34 9HP

The largest group in which the results of the company are consolidated is that headed by Sito Financial Services BV, incorporated in the Netherlands.

Copies of the financial statements can be obtained from:

Sito Financial Services BV  
Driebergseweg 17  
NL-3708 JA Zeist  
Netherlands