

*REGISTRAR'S COPY*

Company Registration No. 1232580 (England and Wales)

**FAIREY INDUSTRIAL CERAMICS LIMITED**  
**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2008**

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# FAIREY INDUSTRIAL CERAMICS LIMITED

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## COMPANY INFORMATION

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### Directors

Mr T. P. Kelly  
Mr S. J. Oakes  
Mr C. Lowndes

### Secretary

Mr C. Lowndes

### Company number

1232580

### Registered office

Albion Works  
Uttoxeter Road  
Longton  
Stoke-on-Trent  
ST3 1PH

### Auditors

Simmons Gainsford LLP  
7/10 Chandos Street  
Cavendish Square  
London  
W1G 9DQ

### Bankers

Barclays Bank Plc  
1 Churchill Place  
London  
United Kingdom  
E14 5HP

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# FAIREY INDUSTRIAL CERAMICS LIMITED

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# **FAIREY INDUSTRIAL CERAMICS LIMITED**

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## **DIRECTORS' REPORT**

### **FOR THE YEAR ENDED 31 DECEMBER 2008**

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The directors present their report and financial statements for the year ended 31 December 2008.

#### **Principal activities and review of the business**

The principal activity of the company continued to be that of the manufacture of ceramic point of use water filters and associated equipment.

The directors are pleased to report encouraging results for 2008. This was the first full year where all efforts were focused on the company's water filter products after divestment of its industrial filtration business in 2007.

The company has seen a satisfactory start to 2009 despite the economic conditions. It is anticipated that brand strength, quality attributes and product development will underpin its performance during the year.

The principal risks and uncertainties facing the business surround the need to continually deliver innovative, quality products to meet and exceed customer expectations.

#### **Financial Instruments**

The company's financial instruments principally comprise cash at bank. In addition, the company has various other financial assets and liabilities such as trade debtors and trade creditors arising directly from operations. It is, and has been throughout the period under review, the company's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the company's financial statements are interest, liquidity and credit risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below. These policies have remained unchanged throughout the period.

#### **Foreign exchange rate risk**

The company is exposed to exchange rate fluctuations particularly where goods are invoiced in US Dollars. This is largely managed through a natural hedge generated from imports of raw materials denominated in US Dollars.

#### **Interest rate risk**

The company is exposed to cash flow interest rate risk on its floating rate borrowings. All borrowings are in Sterling.

#### **Liquidity risk**

The company manages its borrowing requirements to ensure the company has sufficient liquid resources to meet the operating needs of the business.

#### **Credit risk**

The recipients of all loans are subject to credit verification procedures by the Board. Debtors are reviewed on a regular basis and provision is made for doubtful debts when necessary.

#### **Results and dividends**

The results for the year are set out on page 5.

#### **Research and development**

The company carries out research and development in all the main areas of its product range.

# FAIREY INDUSTRIAL CERAMICS LIMITED

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## DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2008

### Directors

The following directors have held office since 1 January 2008:

Mr T. P. Kelly  
Mr S. J. Oakes  
Mr C. Lowndes

Charitable donations	2008 £	2007 £
During the year the company made the following payments:		
Charitable donations	-	500

### Auditors

Simmons Gainsford LLP are deemed to be re-appointed in accordance with an elective resolution passed by members on 23 December 2004 made under section 386 of the Companies Act 1985 which continues in force under the Companies Act 2006.

### Directors' responsibilities

The directors are responsible for preparing 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;
- 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.

### Statement of disclosure to auditors

So far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware. Additionally, the directors have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditors are aware of that information.

On behalf of the board

X   
J KELLY

X 17 July 2009

# **FAIREY INDUSTRIAL CERAMICS LIMITED**

## **INDEPENDENT AUDITORS' REPORT**

### **TO THE SHAREHOLDERS OF FAIREY INDUSTRIAL CERAMICS LIMITED**

We have audited the financial statements of Fairey Industrial Ceramics Limited for the year ended 31 December 2008 set out on pages 5 to 19. 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 the 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.

**FAIREY INDUSTRIAL CERAMICS LIMITED**

**INDEPENDENT AUDITORS' REPORT (CONTINUED)**

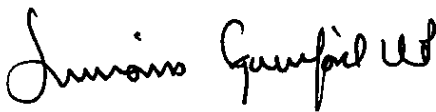
**TO THE SHAREHOLDERS OF FAIREY INDUSTRIAL CERAMICS LIMITED**

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**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 31 December 2008 and of its profit 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.



**Simmons Gainsford LLP**

17 May 2009

**Chartered Accountants  
Registered Auditor**

7/10 Chandos Street  
Cavendish Square  
London  
W1G 9DQ

# FAIREY INDUSTRIAL CERAMICS LIMITED

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## PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2008

	Notes	2008 £	2007 £
<b>Turnover</b>	<b>2</b>		
Continuing operations		4,805,622	4,981,501
Discontinued activities		-	857,174
		<u>4,805,622</u>	<u>5,838,675</u>
 Cost of sales		 (3,193,063)	 (3,851,000)
		<u>1,612,559</u>	<u>1,987,675</u>
<b>Gross profit</b>			
Distribution costs		(127,123)	(89,443)
Administrative expenses		(1,142,563)	(1,462,300)
		<u>342,873</u>	<u>435,932</u>
<b>Operating profit</b>	<b>4</b>		
Continuing operations		342,873	184,397
Discontinued activities		-	251,535
		<u>342,873</u>	<u>435,932</u>
 Investment income	<b>5</b>	 -	 749,900
Amounts written off investments	<b>6</b>	-	(47,532)
Interest payable and similar charges	<b>7</b>	(14,023)	(14,319)
		<u>328,850</u>	<u>1,123,981</u>
<b>Profit on ordinary activities before taxation</b>			
Tax on profit on ordinary activities	<b>8</b>	(103,718)	(304,840)
		<u>225,132</u>	<u>819,141</u>
<b>Profit for the year</b>	<b>19</b>		
		<u><u>225,132</u></u>	<u><u>819,141</u></u>

There are no recognised gains and losses other than those passing through the profit and loss account.



# FAIREY INDUSTRIAL CERAMICS LIMITED

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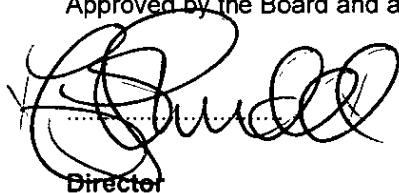
## BALANCE SHEET

AS AT 31 DECEMBER 2008

	Notes	2008 £	£	2007 £	£
<b>Fixed assets</b>					
Tangible assets	11		180,582		218,263
<b>Current assets</b>					
Stocks	12	857,604		702,296	
Debtors	13	1,212,037		1,020,169	
Cash at bank and in hand		8,344		240,618	
		2,077,985		1,963,083	
<b>Creditors: amounts falling due within one year</b>	14	(1,123,622)		(1,263,761)	
<b>Net current assets</b>			954,363		699,322
<b>Total assets less current liabilities</b>			1,134,945		917,585
<b>Creditors: amounts falling due after more than one year</b>	15		(82,894)		(90,666)
<b>Provisions for liabilities</b>	16		(16,849)		(16,849)
			1,035,202		810,070
<b>Capital and reserves</b>					
Called up share capital	18		45,000		45,000
Share premium account	19		634,000		634,000
Other reserves	19		55,000		55,000
Profit and loss account	19		301,202		76,070
<b>Shareholders' funds</b>	20		1,035,202		810,070

Approved by the Board and authorised for issue on

17 July 2009



Director

C. LOWNDES

# FAIREY INDUSTRIAL CERAMICS LIMITED

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## CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2008

	Notes	£	2008 £	£	2007 £
Net cash outflow from operating activities	27		(488,770)		505,984
Returns on investments and servicing of finance					
Interest paid		(14,023)		(14,319)	
Net cash outflow for returns on investments and servicing of finance			(14,023)		(14,319)
Capital expenditure and financial investment					
Payments to acquire tangible assets		(757)		(136,915)	
Receipts from sales of tangible assets		-		170,844	
Net cash inflow for capital expenditure			(757)		33,929
Sale of subsidiary undertakings		-		750,000	
Net cash outflow for acquisitions and disposals			-		750,000
Equity dividends paid			-		(1,000,000)
Decrease in cash in the year	28, 29		(503,550)		275,594

# FAIREY INDUSTRIAL CERAMICS LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2008

### 1 Accounting policies

#### 1.1 Accounting convention

The financial statements are prepared under the historical cost convention.

#### 1.2 Compliance with accounting standards

The financial statements are prepared in accordance with applicable United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), which have been applied consistently (except as otherwise stated).

#### 1.3 Turnover

Turnover comprises sales invoiced (excluding value added tax, freight and commission) and the estimated sales value of goods delivered and accepted under contract which have not been invoiced.

#### 1.4 Research and development

Development costs are capitalised within intangible assets where they can be identified with a specific product or project anticipated to produce future benefits, and are amortised on the straight line basis over the anticipated life of the benefits arising from the completed product or project.

Deferred research and development costs are reviewed annually, and where future benefits are deemed to have ceased or to be in doubt, the balance of any related research and development is written off to the profit and loss account.

#### 1.5 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Plant and machinery	5-20% straight line
Fixtures, fittings & equipment	10%

#### 1.6 Leasing

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership will remain with the lessor are charged to the profit and loss account on a straight line basis over the lease term.

#### 1.7 Stock and work in progress

Stocks are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving stocks. Cost includes all direct costs and an appropriate proportion of fixed and variable overheads.

#### 1.8 Pensions

The company makes contributions to personal pension schemes based on contractual terms. Pension costs charged in the financial statements represent the contributions payable by the company during the year.

# FAIREY INDUSTRIAL CERAMICS LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2008

### 1 Accounting policies

(continued)

#### 1.9 Deferred taxation

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation.

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse.

Deferred assets and liabilities are discounted.

#### 1.10 Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Exchange gains and losses are recognised in the profit and loss account.

### 2 Turnover

The total turnover of the company for the year has been derived from its principal activity.

No segmental analysis in respect of geographical destination is given as the Directors consider it prejudicial to the interests of the company.

### 3 Cost of sales and net operating expenses

	2008			2007		
	Continuing £	Discontinued £	Total £	Continuing £	Discontinued £	Total £
Cost of sales	3,193,063	-	3,193,063	3,537,919	313,081	3,851,000
Distribution costs	127,123	-	127,123	89,443	-	89,443
Administrative expenses	1,142,563	-	1,142,563	1,169,742	292,558	1,462,300
	<u>4,462,749</u>	<u>-</u>	<u>4,462,749</u>	<u>4,797,104</u>	<u>605,639</u>	<u>5,402,743</u>

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## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2008

<b>4</b>	<b>Operating profit</b>	<b>2008</b>	<b>2007</b>
		<b>£</b>	<b>£</b>
	Operating profit is stated after charging:		
	Depreciation of tangible assets	38,438	53,335
	Operating lease rentals		
	- Plant and machinery	7,971	13,505
	- Other assets	219,910	204,277
	Auditors' remuneration	11,300	10,800
	and after crediting:		
	Profit on disposal of tangible assets	-	(369)
	(Profit)/Loss on foreign exchange transactions	(97,672)	22,082
<b>5</b>	<b>Investment income</b>	<b>2008</b>	<b>2007</b>
		<b>£</b>	<b>£</b>
	Income from fixed asset investments	-	749,900
<b>6</b>	<b>Amounts written off investments</b>	<b>2008</b>	<b>2007</b>
		<b>£</b>	<b>£</b>
	Amounts written off current asset investments	-	47,532
<b>7</b>	<b>Interest payable</b>	<b>2008</b>	<b>2007</b>
		<b>£</b>	<b>£</b>
	On bank loans and overdrafts	12,184	14,319
	Other interest	1,839	-
		14,023	14,319

# FAIREY INDUSTRIAL CERAMICS LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2008

8	Taxation	2008 £	2007 £
	<b>Domestic current year tax</b>		
	Adjustment for prior years	-	221
	Payment in respect of group relief	103,718	304,619
	<b>Current tax charge</b>	<u>103,718</u>	<u>304,840</u>
	<b>Factors affecting the tax charge for the year</b>		
	Profit on ordinary activities before taxation	<u>328,850</u>	<u>1,123,981</u>
	Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 28.00% (2007 - 30.00%)	<u>92,078</u>	<u>337,194</u>
	Effects of:		
	Non deductible expenses	887	(208,860)
	Depreciation add back	10,763	16,000
	Capital allowances	(10)	(15,248)
	Adjustments to previous periods	-	221
	Group relief payments made	103,718	304,619
	Taxable value of group relief received	<u>(103,718)</u>	<u>(129,086)</u>
		<u>11,640</u>	<u>(32,354)</u>
	<b>Current tax charge</b>	<u>103,718</u>	<u>304,840</u>

The company has paid £103,718 (2007 - £304,619) to fellow group companies for the surrender of their losses as detailed in note 26.

There were no factors that may affect future tax charges.

9	Dividends	2008 £	2007 £
	Ordinary interim paid	<u>-</u>	<u>1,000,000</u>

# FAIREY INDUSTRIAL CERAMICS LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2008

### 10 Intangible fixed assets

	Development Costs £
<b>Cost</b>	
At 1 January 2008	217,832
Disposals	(217,832)
At 31 December 2008	-
<b>Amortisation</b>	
At 1 January 2008	217,832
Amortisation on disposals	(217,832)
At 31 December 2008	-
<b>Net book value</b>	
At 31 December 2008	-
At 31 December 2007	-

### 11 Tangible fixed assets

	Plant and machinery £	Fixtures, fittings & equipment £	Total £
<b>Cost</b>			
At 1 January 2008	1,479,505	151,499	1,631,004
Additions	-	757	757
At 31 December 2008	1,479,505	152,256	1,631,761
<b>Depreciation</b>			
At 1 January 2008	1,305,965	106,776	1,412,741
Charge for the year	28,820	9,618	38,438
At 31 December 2008	1,334,785	116,394	1,451,179
<b>Net book value</b>			
At 31 December 2008	144,720	35,862	180,582
At 31 December 2007	173,540	44,723	218,263

# FAIREY INDUSTRIAL CERAMICS LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2008

12 Stocks and work in progress	2008 £	2007 £
Raw materials and consumables	482,340	503,028
Work in progress	97,304	48,135
Finished goods and goods for resale	277,960	151,133
	<u>857,604</u>	<u>702,296</u>

The difference between purchase price or production cost of stocks and their replacement cost is not material.

13 Debtors	2008 £	2007 £
Trade debtors	1,062,149	821,852
Amounts owed by group undertakings	745	459
Other debtors	149,143	197,858
	<u>1,212,037</u>	<u>1,020,169</u>

14 Creditors: amounts falling due within one year	2008 £	2007 £
Bank loans and overdrafts (secured)	326,246	54,970
Trade creditors	235,349	453,960
Amounts owed to group undertakings	120,168	332,607
Taxation and social security	30,926	31,084
Other creditors	410,933	391,140
	<u>1,123,622</u>	<u>1,263,761</u>

Bank loans and overdrafts are secured by way of guarantee from the parent and group undertakings (see note 21).



# FAIREY INDUSTRIAL CERAMICS LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2008

<b>15 Creditors: amounts falling due after more than one year</b>	<b>2008</b>	<b>2007</b>
	<b>£</b>	<b>£</b>
Other creditors	82,894	90,666
	<u>          </u>	<u>          </u>
<b>Analysis of loans</b>		
Not wholly repayable within five years by instalments:		
Repayable by installments	51,809	59,571
	<u>          </u>	<u>          </u>
<b>16 Provisions for liabilities</b>		
		<b>Deferred tax liability</b>
		<b>£</b>
Balance at 1 January 2008 & at 31 December 2008		16,849
		<u>          </u>
<b>The deferred tax liability is made up as follows:</b>		
	<b>2008</b>	<b>2007</b>
	<b>£</b>	<b>£</b>
Accelerated capital allowances	16,849	16,849
	<u>          </u>	<u>          </u>
<b>17 Pension and other post-retirement benefit commitments</b>		
<b>Defined contribution</b>		
	<b>2008</b>	<b>2007</b>
	<b>£</b>	<b>£</b>
Contributions payable by the company for the year	53,999	56,247
	<u>          </u>	<u>          </u>
<b>18 Share capital</b>	<b>2008</b>	<b>2007</b>
	<b>£</b>	<b>£</b>
<b>Authorised</b>		
100,000 Ordinary shares of £1 each	100,000	100,000
	<u>          </u>	<u>          </u>
<b>Allotted, called up and fully paid</b>		
45,000 Ordinary shares of £1 each	45,000	45,000
	<u>          </u>	<u>          </u>

# FAIREY INDUSTRIAL CERAMICS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2008

### 19 Statement of movements on reserves

	Share premium account £	Other reserves (see below) £	Profit and loss account £
Balance at 1 January 2008	634,000	55,000	76,070
Profit for the year	-	-	225,132
Balance at 31 December 2008	634,000	55,000	301,202
<b>Other reserves</b>			
<b>Capital redemption reserve</b>			
Balance at 1 January 2008 & at 31 December 2008		55,000	

### 20 Reconciliation of movements in shareholders' funds

	2008 £	2007 £
Profit for the financial year	225,132	819,141
Dividends	-	(1,000,000)
Net addition to/(depletion in) shareholders' funds	225,132	(180,859)
Opening shareholders' funds	810,070	990,929
Closing shareholders' funds	1,035,202	810,070

### 21 Contingent liabilities

At the year end the company was party to a cross guarantee for a group overdraft facility with the following companies: Mantec Group Limited, Taylor Tunnicliff Limited, Ceramic Gas Products Limited, Duchess China Limited, Grimwades Limited, Wykes International Limited and Fairey Filtration Systems Limited. At the balance sheet date the contingent liability attributable to Fairey Industrial Ceramics Limited amounted to £229,209 (2007: £364,118).

# FAIREY INDUSTRIAL CERAMICS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2008

### 22 Financial commitments

At 31 December 2008 the company was committed to making the following payments under non-cancellable operating leases in the year to 31 December 2009:

	Land and buildings		Other	
	2008	2007	2008	2007
	£	£	£	£
Operating leases which expire:				
Between two and five years	-	-	-	5,367
In over five years	153,700	153,700	-	-
	<u>153,700</u>	<u>153,700</u>	<u>-</u>	<u>5,367</u>

### 23 Directors' emoluments

	2008	2007
	£	£
Emoluments for qualifying services	106,159	176,072
Company pension contributions to money purchase schemes	10,842	19,984
	<u>117,001</u>	<u>196,056</u>

The number of directors for whom retirement benefits are accruing under money purchase pension schemes amounted to 1 (2007 - 3).

# FAIREY INDUSTRIAL CERAMICS LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2008

### 24 Employees

#### Number of employees

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

	2008 Number	2007 Number
Production & distribution	49	58
Administration	9	10
	<u>58</u>	<u>68</u>

#### Employment costs

	2008 £	2007 £
Wages and salaries	1,201,029	1,430,784
Social security costs	80,090	94,098
Other pension costs	53,999	56,247
	<u>1,335,118</u>	<u>1,581,129</u>

### 25 Control

The company regards Mantec Group Limited, a company incorporated in England and Wales, as its immediate and ultimate parent undertaking in both this and the previous year.

The company regards Mr I N Davis as its ultimate controlling party by virtue of his interest in the share capital of the ultimate parent undertakings in both this and the previous year.

Subsequent to the year end, Mrs V. Davis became the company's ultimate controlling party on transfer of the shares in the ultimate parent undertaking.

# FAIREY INDUSTRIAL CERAMICS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2008

#### 26 Related party transactions

At the balance sheet date included in creditors, is an amount of £6,685 (2007: £27,989) owed to Taylor Tunnicliff Limited, a fellow subsidiary undertaking.

During the year the following amounts were charged by Taylor Tunnicliff Limited:

Management charges - £12,300 (2007: £56,064)

Advertising - £15,000 (2007: £nil)

In addition, during the year certain expenses were re-charged at cost by Taylor Tunnicliff Limited.

At the balance sheet date included in creditors, is an amount of £9,765 (2007: £19,422) owed to Mantec Group Limited, the company's ultimate parent undertaking.

During the year, management charges of £37,800 (2007: £nil) were charged by Mantec Group Limited.

At the balance sheet date included in debtors, is an amount of £745 (2007: £412) owed by Wykes International Limited, a subsidiary undertaking of Taylor Tunnicliff Limited.

At the balance sheet date there is an amount of £35,848 (2007: £33,181) owed to Ceramic Gas Products Limited, a subsidiary undertaking of Taylor Tunnicliff Limited, in respect of group relief.

At the balance sheet date there is an amount of £67,870 (2007: 179,564) owed to Duchess China Limited, a subsidiary undertaking of Taylor Tunnicliff Limited, in respect of group relief.

At the balance sheet date there is an amount of £nil (2007: £47) owed by Fairey Filtration Systems Limited, a fellow subsidiary undertaking of Taylor Tunnicliff Limited.

During the year, fixed assets of £nil (2007: £170,071) and stock of £nil (2007: £108,822) were sold to Fairey Filtration Systems Limited.

At the balance sheet date, included in creditors, is an amount of £nil (2007: £72,452) owed to Grimwades Limited, a fellow subsidiary undertaking of Taylor Tunnicliff Limited.

27 Reconciliation of operating profit to net cash inflow/(outflow) from operating activities	2008	2007
	£	£
Operating profit	342,873	435,932
Depreciation of tangible assets	38,438	53,335
Profit on disposal of tangible assets	-	(369)
Decrease/(increase) in stocks	(155,308)	197,759
Decrease/(Increase) in debtors	(191,868)	429,080
(Decrease)/increase in creditors	(419,187)	(305,134)
Group relief	(103,718)	(304,619)
<b>Net cash inflow/(outflow) from operating activities</b>	<b>(488,770)</b>	<b>505,984</b>

# FAIREY INDUSTRIAL CERAMICS LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2008

28	Analysis of net (debt)/funds	1 January 2008	Cash flow	Other non-cash changes	31 December 2008
		£	£	£	£
	Net cash:				
	Cash at bank and in hand	240,618	(232,274)	-	8,344
	Bank overdrafts	(54,970)	(271,276)	-	(326,246)
	<b>Net funds/(debt)</b>	<b>185,648</b>	<b>(503,550)</b>	<b>-</b>	<b>(317,902)</b>

29	Reconciliation of net cash flow to movement in net (debt)/funds	2008	2007
		£	£
	(Decrease)/increase in cash in the year	(503,550)	275,594
	<b>Movement in net (debt)/funds in the year</b>	<b>(503,550)</b>	<b>275,594</b>
	Opening net funds	185,648	(89,946)
	<b>Closing net (debt)/funds</b>	<b>(317,902)</b>	<b>185,648</b>