

Fluidpower Group UK Limited (formerly Fluidpower Limited)

Annual Report and Financial Statements

Registered number 01672034

31 December 2018



Fluidpower Group UK Limited (formerly Fluidpower Limited)

Company Information

Directors

Bryce Brooks
Keith Dickinson
John Farmer
Russell Cash

Registered number

01672034

Registered office

Bollin House
Riverside Business Park
Wilmslow
SK9 1DP

Independent auditor

Grant Thornton UK LLP
Chartered Accountants and Statutory Auditors
4 Hardman Square
Spinningfields
Manchester
M3 3EB

Contents

Strategic Report	2
Directors' Report	3
Statement of Directors' responsibilities	5
Independent Auditor's Report to the members of Fluidpower Group UK Limited	6
Income Statement	9
Statement of Financial Position	10
Statement of Changes in Equity	11
Notes to the Financial Statements	12

Strategic Report

Introduction

The Directors' present their Strategic Report of Fluidpower Group UK Limited (formerly Fluidpower Limited) (the "Company") for the year ended 31 December 2018. The Company's principal activity is the purchasing and distribution of fluid power components, principally within the UK and Eire. The Company operates through three divisions, Flowtechnology UK, Indequip and Beaumanor, following the hive up of trade and assets from Beaumanor Engineering in the year.

Business review

As shown in the Company's Income Statement on page 8, the Company's sales increased by 17.2% from the previous year to £38,472,373. Gross profit margin has improved to 38% (2017: 36%) and operating profit was £7.3m (2017: £5.9m). The Directors believe this represents a very satisfactory performance given the challenging trading conditions experienced during the year, and the outlook for 2019 and beyond remains very good.

The Statement of Financial Position on page 9 shows the net assets of the company have increased by £2.1m to £50.3m.

Principal risks and uncertainties

The Company operates in a highly competitive marketplace with an emphasis on the availability of stock and service. As such, it puts particular emphasis on stock availability and the Company provides a next day delivery service aiming to always deliver 99% of orders next day. The Company manages this risk by having a broad spread of customers and focuses on delivering a quality level of service and building strong relationships with customers and suppliers.

The Company purchases large amounts of materials that have been shown to suffer price volatility due to both availability and the effect of foreign exchange. To minimise these effects the Company buys deep stocks of affected products.

Key performance indicators

The Company's management uses a number of key measures to monitor and manage the performance of the business. The performance of individual customers and individual products is reviewed daily in terms of turnover and profitability, with particular focus on service and the comparison of actual performance with prior year and target performance. At the company level the key performance indicators are sales, gross margin, EBITA, cash generation together with working capital measures against stock and debtors. Of key focus is the daily gross profit; the average gross profit per day achieved was £57,528 compared to prior year £46,915.

This Report was approved by the Board and signed on its behalf.



Russell Cash
Director
30 September 2019

Directors' Report

The Directors present the audited Financial Statements of Fluidpower Group UK Limited (the "Company") for the year ended 31 December 2018.

Directors

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

Sean Fennon (Resigned 1 October 2018)
Bryce Brooks
Keith Dickinson
John Farmer
Russell Cash (Appointed 1 November 2018)

Dividends

Dividends paid during the period were £4,000,000 (2017: £4,000,000), the Directors do not recommend a final dividend.

Financial instruments

The Company finances its activities with a combination of inter group loans, cash and short term deposits, as disclosed in notes 15 and 16. Other financial assets and liabilities, such as trade debtors and trade creditors, arise directly from the Company's operating activities. The Company also enters into derivative transactions, including forward currency contracts. The purpose is to manage the currency risks arising from the Company's transactions in foreign currencies and the Group's foreign operations. Further details of financial risk management are provided in note 20.

Environment

The Company recognises the importance of its environmental responsibilities and operates in accordance with policies agreed through a Health and Safety Committee and a Staff Consultative Committee. Initiatives designed to minimise the Company's impact on the environment include the recycling of waste where practical.

Employees

Details of the number of employees and related costs can be found in note 5 to the Financial Statements. The Company is committed to providing staff and management with training designed to develop attitudes and skills and give opportunities for advancement. The Company promotes good communication and consultation with regular management meetings, staff briefings, and a Staff Consultative Committee to involve staff in the progress of the Company and its future.

The Company operates various performance bonus schemes related to KPI achievements within in the operational functions. The Company believes that these schemes demonstrate the Company's commitment to involving employees in performance.

It is the policy of the Company that no employee, or potential employee, is not discriminated against on the grounds of disability, age, race, religion, sex, sexual orientation or political belief and to offer the same employment opportunities, training, career development and promotion prospects to all.

Directors' Report *(Continued)*

Going concern

The Company has considerable financial resources together with long established relationships with a number of customers and suppliers across different geographic areas and industries. As a consequence, the Directors believe that the Company is well placed to manage its business risks successfully. The Directors have carefully considered the group banking facilities and their future covenant compliance in light of the current and future cash flow forecasts and they believe that the Company is appropriately positioned to ensure the conditions of its funding will continue to be met and therefore enable the Company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment. The directors have also received assurance that the group's ultimate parent company, Flowtech Fluidpower plc, will continue to support the company as required for the foreseeable future.

After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Annual Report and Financial Statements.

Disclosure of information to the Auditor

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's Auditor is unaware; and each Director has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's Auditor is aware of that information.

Auditor

Pursuant to section 487 of the Companies Act 2006, the Auditor will be deemed to be reappointed and Grant Thornton UK LLP will therefore continue in office.

By order of the Board



Russell Cash
Director

30 September 2019

Directors' Responsibility Statement

The Directors are responsible for preparing the Strategic Report, Directors' 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 laws including FRS 101 "Reduced disclosure framework").

Under company law the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs and the profit or loss of the Company for that period. In preparing these Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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 adequate accounting records that are sufficient to show and explain the Company's transactions and 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 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for prevention and detection of fraud and other irregularities.

Independent auditor's report to the members of Fluidpower Group UK Limited

Opinion

We have audited the financial statements of Fluidpower Group UK Limited (the 'company') for the year ended 31 December 2018 which comprise the Income Statement, the Statement of Financial Position, the Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the

work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matter on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditor's 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.

Grant Thornton UK LLP

Michael Frankish
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Manchester
30 September 2019

Income Statement

for the year ended 31 December 2018

	Note	2018 £	2017 £
Turnover	3	38,472,373	32,837,922
Cost of sales		(23,917,896)	(21,156,115)
Gross profit		14,554,477	11,681,807
Distribution costs		(2,194,328)	(1,937,752)
Administrative expenses		(5,028,971)	(3,815,686)
Operating profit	4	7,331,178	5,928,369
Interest receivable and similar income	6	11,084	13
Interest payable and similar cost	7	(11,478)	(13,139)
Profit on ordinary activities before taxation		7,330,784	5,915,243
Tax expense	8	(1,743,853)	(889,171)
Profit for the financial year		5,553,560	5,026,072

There were no recognised gains or losses other than the profit in either the current or previous financial year. Accordingly, a Statement of Comprehensive Income has not been prepared.

All turnover and operating profits are derived from continuing operations.

The notes form part of the financial statement.

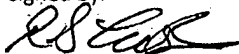
Statement of Financial Position
at 31 December 2018

	Note	2018 £	2017 £
Fixed assets			
Goodwill	10	7,413,724	631,691
Intangible assets	11	41,600	60,800
Tangible assets	12	3,440,933	3,109,469
Investments	13	2,147,092	-
Total fixed assets		13,043,349	3,801,960
Current assets			
Stocks	14	13,081,088	10,494,182
Trade and other debtors	15	80,685,355	67,735,073
Cash and cash equivalents	16	695,959	1,268,823
Total current assets		94,462,402	79,498,078
Creditors: amounts falling due within one year			
Interest-bearing loans and borrowings	17	2,014,087	3,750
Trade and other creditors	18	53,490,854	34,669,850
Tax payable		1,444,508	280,192
Total creditors: amounts falling due within one year		56,949,449	34,953,792
Net current assets		37,512,953	44,544,286
Total assets less current liabilities		50,556,302	48,346,246
Creditors: amounts falling due after one year			
Interest-bearing loans and borrowings	17	1,875	5,625
Provisions for liabilities	19	30,999	(18,002)
Deferred tax liabilities	8	219,708	117,448
Total creditors: amounts falling due after one year		252,582	105,071
Net assets		50,303,720	48,241,175
Capital and reserves			
Share capital	21	112	112
Share premium account		9,974	9,974
Share-based payment reserve		10,056	1,071
Capital contribution		500,000	-
Retained earnings		49,783,578	48,230,018
Total equity		50,303,720	48,241,175

The notes form part of the financial statement.

The Financial Statements on pages 12 to 32 were approved by the Directors on 30 September 2019 and were

signed by:



Russell Cash

Director

Bollin House

Riverside Business Park

Wilmslow

England

SK9 1DP

Statement of Changes in Equity
for the year ended 31 December 2018

	Share capital £	Share premium £	Share-based payment reserve £	Capital contribution £	Retained earnings £	Total Equity £
Balance at 1 January 2017	112	9,974	243,053	-	47,203,946	47,457,085
Profit for the year	-	-	-	-	5,026,072	5,026,072
Total comprehensive income for the year	-	-	-	-	5,026,072	5,026,072
Transactions with owners						
Share-based payment charge	-	-	43,602	-	-	43,602
Share options settled	-	-	(285,584)	-	-	(285,584)
Equity dividends paid (note 9)	-	-	-	-	(4,000,000)	(4,000,000)
Total transactions with owners	-	-	(241,982)	-	(4,000,000)	(4,241,982)
Balance at 1 January 2018	112	9,974	1,071	-	48,230,018	48,241,175
Profit for the year	-	-	-	-	5,553,560	5,553,560
Total comprehensive income for the year	-	-	-	-	5,553,560	5,553,560
Transactions with owners						
Capital contribution	-	-	-	500,000	-	500,000
Share-based payment charge	-	-	21,060	-	-	21,060
Share options settled	-	-	(12,075)	-	-	(12,075)
Equity dividends paid (note 9)	-	-	-	-	(4,000,000)	(4,000,000)
Total transactions with owners	-	-	8,985	500,000	(4,000,000)	(3,491,015)
Balance at 31 December 2018	112	9,974	10,056	500,000	49,783,578	50,303,720

The notes form part of the financial statements

Notes to the Financial Statements

for the year ended 31 December 2018

1 Authorisation of financial statements and statement of compliance with FRS 101

The Financial Statements of Fluidpower Group UK Limited (formerly Fluidpower Limited) (the "Company") for the year ended 31 December 2018 were authorised for issue by the Board of Directors on 30 September 2019 and the Statement of Financial Position was signed on the Board's behalf by Russell Cash. Fluidpower Group UK Limited is incorporated and domiciled in England and Wales.

These Financial Statements were prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" and the Companies Act 2006. The Company's Financial Statements are presented in Sterling.

These Financial Statements have been prepared on a going concern basis and on the historical cost basis except for the modification to a fair value basis for certain financial instruments as specified in the accounting policies below.

The Company has taken advantage of the exemption under s400 of the Companies Act 2006 not to prepare group accounts as it is a wholly owned subsidiary of Fluidpower MIP Limited.

The results of Fluidpower MIP Limited are included in the consolidated financial statements of Flowtech Fluidpower plc which are available from Bollin House, Bollin Walk, Wilmslow, SK9 1DP.

The principal accounting policies adopted by the Company are set out in note 2.

2 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.

2.1 Basis of preparation

The accounting policies which follow set out those policies which apply in preparing the Financial Statements for the year ended 31 December 2018.

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- (a) the requirements of paragraphs 45(b) and 46-52 of "IFRS 2 Share based Payment", as the share based payment arrangement concerns the instruments of another group entity;
- (b) the requirement in paragraph 38 of IAS 1 "Presentation of Financial Statements" to present comparative information in respect of:
 - (i) paragraph 79(a)(iv) of IAS 1;
 - (ii) paragraph 73(e) of IAS 16 "Property, Plant and Equipment";
- (c) the requirements of paragraphs 10(d) and 134-136 of IAS 1 "Presentation of Financial Statements" and the requirements of IAS 7 "Statement of Cash Flows";
- (d) the requirements of paragraphs 30 and 31 of IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors";
- (e) the requirements of paragraph 17 of IAS 24 "Related Party Disclosures";

Notes to the financial statements

for the year ended 31 December 2018

2 Accounting policies (continued)

- (f) the requirements in IAS 24 "Related Party Disclosures" to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member;

2.2 Significant judgements, key assumptions and estimates

In the process of applying the Company's accounting policies, which are described above, management has made judgements and estimations about the future that may have a significant effect on the amounts recognised in the Financial Statements. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. The following judgements have the most significant effect on the Financial Statements.

Provision for impairment of stock

The carrying value of stocks as at 31 December 2018 is £13,081,088 (2017: £10,494,182) and included a provision against the stocks of £1,581,788 (2017: £607,346). During the year £113,661 (2017: £24,647) of the provision was utilised. A further provision of £1,061,134 was recognised in 2018 following the hive up of the Beaumanor business (2017: £46,523). The provision for impairment of stocks is based on sales trends for all stock and management's estimation of recoverability. There is a risk that the provision will not match the stocks that ultimately prove to be impaired.

Share based payments

A number of accounting estimates and judgements are incorporated within the calculation of the charge to the Income Statement in respect of share based payments. These are described in more detail in note 23 of the consolidated financial statements of Flowtech Fluidpower plc.

2.3 Financial instruments

Non-derivative financial instruments comprise trade and other debtors, cash and cash equivalents, loans and borrowings, and trade and other creditors.

Trade and other debtors

Trade and other debtors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

Trade and other creditors

Trade and other creditors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Notes to the financial statements

for the year ended 31 December 2018

2 Accounting policies (continued)

Cash and cash equivalents

Cash and cash equivalents comprise cash, bank balances net of bank overdrafts and short term deposits held with banks by the Company, and are subject to insignificant risk of changes in value.

Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses. Any change in their value through impairment or reversal of impairment is recognised in profit or loss. Discounting is omitted where the effect is immaterial.

Derivative financial instruments

Derivative financial instruments held by the Company include forward foreign currency contracts and are recognised at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss.

Derecognition of financial liabilities

The Company derecognises a financial liability (or its part) from the statement of financial position when, and only when it is extinguished, i.e. when the obligation specified in the contract is discharged, cancelled or expires. The difference between the carrying amount of a financial liability (or a part of a financial liability) extinguished and the consideration paid, including any non cash assets transferred or liabilities assumed, is recognised in profit or loss.

2.4 Investments

All investments are initially recorded at cost, being the fair value of consideration given including the acquisition costs associated with the investment. Subsequently they are reviewed for impairment on an individual basis if events or changes in circumstances indicate the carrying value may not be fully recoverable.

2.5 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of a tangible fixed asset have different useful lives, they are accounted for as separate items.

Leases in which the Company assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Where land and buildings are held under leases the accounting treatment of the land is considered separately from that of the buildings. Leased assets acquired by way of finance lease are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and less accumulated impairment losses. Lease payments are accounted for as described below.

Depreciation is charged to the income statement over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. The estimated useful lives and depreciation methods are as follows:

Notes to the financial statements

for the year ended 31 December 2018

2 Accounting policies (continued)

Plant, machinery and equipment 3 to 20 years – straight line

Motor vehicles 4 to 5 years – reducing balance

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

2.6 Finance leases

Management applies judgement in considering the substance of a lease agreement and whether it transfers substantially all the risks and rewards incidental to ownership of the leased asset. Key factors considered include the length of the lease term in relation to the economic life of the asset, the present value of the minimum lease payments in relation to the asset's fair value, and whether the Company obtains ownership at the end of the lease term.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

2.7 Operating lease payments

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense.

2.8 Intangible assets

Goodwill

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is not amortised but is tested annually for impairment, or earlier if there is an indication of impairment.

Acquired intangibles

Intangible assets acquired as part of trade and asset business purchases are capitalised at fair value at the date of acquisition. Following the initial recognition, the carrying amount of an intangible is its cost less accumulated amortisation and any accumulated impairment losses. Amortisation is charged on the basis of the estimated useful life on a straight-line basis and the expense is taken to the income statement and included in administration expenses.

Impairment reviews are undertaken annually and whenever the Directors consider that there has been a potential indication of impairment.

Notes to the financial statements

for the year ended 31 December 2018

2 Accounting policies (continued)

2.9 Stocks

Stocks are stated at the lower of cost and net realisable value, after making allowance for obsolete and slow moving items. Cost is based on the first-in first-out/weighted average principle and includes expenditure incurred in acquiring the stocks and other costs in bringing them to their existing location and condition.

2.10 Employee benefits - defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the Company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement in the periods during which services are rendered by employees.

2.11 Turnover

Turnover is the total amount receivable by the Company for goods supplied, excluding VAT and discounts. Turnover from the sale of goods is recognised in the Income Statement when the significant risks and rewards of ownership have been transferred to the buyer, which is determined to be at the point of despatch.

2.12 Cost of sales

Cost of sales includes all costs incurred up to the point of despatch including the operating expenses of the warehouse.

2.13 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

Notes to the financial statements

for the year ended 31 December 2018

2 Accounting policies (continued)

2.14 Provisions

A provision is recognised in the Statement of Financial Position when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

2.15 Foreign currency translation

Functional and presentation currency

The financial statements are presented in Sterling, which is also the functional currency of the ultimate parent company.

Foreign currency transactions and balances

Transactions in foreign currencies are translated to the functional currencies of the Company at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement.

Currency risks

The main currency related risk to the Company comes from forward purchasing of stocks, settling transactions in foreign currencies and from group foreign operations. This risk is managed by entering into forward currency contracts. The Company does not apply hedge accounting in respect of these forward currency contracts, the changes in fair value have been recognised in the income statement.

2.16 Equity, reserves and dividend payments

Equity comprises the following:

- "Share capital" represents the nominal value of equity shares
- "Share premium" represents the excess over nominal value of consideration received for equity share net of expenses of the share issue, less any costs associated with the issuing of shares
- "Share-based payment reserve" represents the provision made to date for share based payments as detailed in note 22.2
- "Retained earnings" represent retained earnings of the Company
- "Capital contribution" represents shares issued in parent company

All transactions with owners of the parent are recorded separately within equity.

Dividend distributions payable to equity shareholders are included in other liabilities when the dividends have been approved in general meeting prior to the reporting date.

Notes to the financial statements

for the year ended 31 December 2018

3 Turnover

All turnover is derived from the sale of goods and is attributable to the one principal activity of the company.

	2018 £	2017 £
United Kingdom	35,580,039	30,499,878
Europe	2,775,497	2,289,763
Rest of World	116,837	48,281
Total turnover	38,472,373	32,837,922

4 Operating profit

This is stated after charging/(crediting):

	2018 £	2017 £
(Gain) from reversal of/impairment loss on trade debtors	(985)	15,219
(Gain)/loss on foreign currency transactions	(200,515)	26,082
Impairment loss on stock	85,131	46,523
Depreciation of owned tangible fixed assets	539,435	421,127
Depreciation of leased tangible fixed assets	9,525	1,500
Amortisation of intangible assets	19,200	19,200
(Profit)/loss on sale of tangible fixed assets	(5,645)	186
Operating lease rentals		
- Land and buildings	434,988	400,927
- Other	132,485	99,341
Repairs and maintenance expenditure on tangible fixed assets	109,430	66,806

Auditor's remuneration

Audit fees are borne by another group undertaking.	-	-
--	---	---

5 Staff costs and Directors' remuneration

	2018 £	2017 £
Staff costs		
Wages and salaries	4,096,134	3,435,864
Social security costs	408,458	305,293
Contributions to defined contribution pension plans	55,892	33,117
Share-based payments	21,060	43,602
Total staff costs	4,581,544	3,817,876

Notes to the financial statements

for the year ended 31 December 2018

5 Staff costs and Directors' remuneration (continued)

The average number of employees of the company (including Directors) during the year was:

	2018 Number	2017 Number
Distribution	84	75
Administration	89	66
Total number	173	141

	2018 £	2017 £
Directors' remuneration		
Remuneration	285,181	187,971
Contributions to defined contribution pension plans	1,850	1,091
Benefits in kind	13,911	25,774
Total Directors' remuneration	300,942	214,836

During the year one Director (2017: one) participated in defined contribution pension schemes. No Directors participated in defined benefit schemes (2017: none).

The amounts set out above include remuneration in respect of the highest paid Director as follows:

	2018 £	2017 £
Highest paid Director's remuneration		
Remuneration	164,691	101,929
Contributions to defined contribution pension plans	1,850	1,091
Benefits in kind	-	12,363
Total highest paid Director's remuneration	166,541	115,293

6 Interest receivable and similar income

	2018 £	2017 £
Interest receivable and similar income		
Interest income from cash and cash equivalents	11,084	13
Total interest receivable and similar income	11,084	13

7 Interest payable and similar cost

	2018 £	2017 £
Interest payable and similar cost		
Invoice discounting, stock loan and revolving credit facilities	7,874	1,306
Finance charges payable in respect of finance leases	3,604	749
Fair value losses on forward exchange contracts held for trading	-	11,084
Total interest payable and similar cost	11,478	13,139

Notes to the financial statements

for the year ended 31 December 2018

8 Taxation

a) Tax charged in the income statement

	2018 £	2017 £
Current tax		
UK corporation tax payable	1,417,668	905,057
Adjustment in respect of prior year	264,667	(42,218)
Total current tax	1,682,335	862,839
Deferred tax		
Origination and reversal of temporary differences	20,962	11,809
Adjustments in respect of prior periods	40,556	14,523
Change in tax rate	-	-
Total deferred tax	61,518	26,332
Total tax expense	1,743,853	889,171

b) Reconciliation of the total tax charge

The tax assessed in the income statement for the year differs from the standard rate of corporation tax in the UK of 19% (2017: 19.25%). The differences are reconciled below:

	2018 £	2017 £
Profit before taxation	7,330,784	5,915,243
Tax calculated at the UK standard rate of corporation tax of 19% (2017: 19.25%)	1,392,849	1,138,684
Effect of share option exercises	-	(45,598)
Impact of change in tax rate	4,292	(3,120)
Amounts not deductible	47,171	3,279
Deferred tax on acquisition	(5,682)	-
(Over)/under provided in prior years	305,223	(27,695)
Group relief	-	(176,379)
Total tax expense	1,743,853	889,171

c) Change in corporation tax rate

The Finance Act 2015 included changes which affect future tax charge. The rate of corporation tax will reduce to 17% from 1st April 2020. This will reduce the company's future current tax charge accordingly. The deferred tax assets and liabilities at 31 December 2018 have been calculated based on these rates.

Notes to the financial statements
for the year ended 31 December 2018

8 Taxation (continued)

d) Deferred tax

	Assets		Liabilities	
	2018	2017	2018	2017
	£	£	£	£
Intangible assets	-	-	(7,072)	(13,056)
Tangible fixed assets	-	-	(211,893)	(180,841)
Financial assets	5,517	2,168	-	-
Provisions	11,156	12,124	-	-
Employee benefits	24,598	88,551	-	-
Tax assets/(liabilities)	41,270	102,843	(218,965)	(193,897)
Net deferred tax liability			(177,695)	(91,054)

Movement in deferred tax during the year ended 31 December 2018

	1 January 2018	Recognised in Equity	Recognised in income	31 December 2018
	£	£	£	£
Intangible assets	13,056	-	(5,984)	7,072
Tangible fixed assets	180,841	-	31,052	211,893
Financial assets	(2,168)	-	(3,349)	(5,517)
Provisions	(12,124)	-	968	(11,156)
Employee benefits	(88,551)	25,123	38,830	(24,598)
	91,054	25,123	61,518	177,695

Movement in deferred tax during the year ended 31 December 2017

	1 January 2017	Acquired in year	Recognised in income	31 December 2017
	£	£	£	£
Intangible assets	16,000	-	(2,944)	13,056
Tangible fixed assets	155,055	-	25,786	180,841
Financial assets	(575)	-	(1,593)	(2,168)
Provisions	(29,330)	-	17,206	(12,124)
Employee benefits	(50,034)	-	(12,123)	(62,157)
	91,116	-	26,332	117,448

9 Dividends paid and proposed

	2018 £	2017 £
Declared and paid during the year		
Equity dividends of £ 400 per A ordinary share (2017: £400)	4,000,000	4,000,000
Total dividends paid	4,000,000	4,000,000

No dividends are proposed at the end of the period.

Notes to the financial statements

for the year ended 31 December 2018

10 Goodwill

The movements in the net carrying value of goodwill are as follows:

	2018 £
Cost	
At 1 January 2018	631,691
Additions	6,782,033
At 31 December 2018	7,413,724
Accumulated impairment	
At 1 January 2018	-
Charge for year	-
At 31 December 2018	-
Net book value	
As at 31 December 2018	7,413,724
As at 31 December 2017	631,691

The goodwill relates to the hive up of the trade and assets of Beaumanor Engineering in June 2018.

11 Other intangible assets

	2018 £
Gross carrying value	
At 1 January 2018	96,000
Additions	-
At 31 December 2018	96,000
Amortisation and impairment	
At 1 January 2018	35,200
Amortisation charge for year	19,200
At 31 December 2018	54,400
Net book value	
As at 31 December 2018	41,600
As at 31 December 2017	60,800

Other intangibles relate to the acquisition of the trade and assets of Indequip on 19 February 2017 and are the valuation of the brand value of the trade.

Notes to the financial statements

for the year ended 31 December 2018

12 Tangible fixed assets

	Plant, machinery & equipment £
Cost	
At 1 January 2017	8,021,348
Additions	662,464
Acquisitions through business combinations	258,105
Disposals	(46,071)
At 31 December 2018	8,895,846
Depreciation	
At 1 January 2017	4,911,879
Charge for year	548,960
Disposals	(5,926)
At 31 December 2018	5,454,913
Net book value	
At 31 December 2018	3,440,933
At 31 December 2017	3,109,469

13 Investments

	2018 £
As at 1 January 2018	-
Additions	8,929,125
Transfer to intangibles	(6,782,033)
As at 31 December 2018	2,147,092

Details of subsidiary undertakings

	Principal activity	Holding	Country of incorporation
Balu Limited	Holding company	100%	UK

For all the subsidiary above the class of shares held are ordinary shares and the subsidiary is a direct subsidiary of the Company.

The registered office of the subsidiary company noted above is Bollin House, Riverside Business Park, Wilmslow, England, SK9 1DP.

Notes to the financial statements

for the year ended 31 December 2018

14 Stocks

	2018 £	2017 £
Finished goods and goods for resale	13,081,088	10,494,182

Changes in finished goods recognised as cost of sales in the year amounted to £22,274,347 (2017: £19,214,745). The write down or reversal of stocks to net realisable value amounted to a write down of £85,131 (2017: write down of £46,523). The write-downs and reversals are included in cost of sales. The provision made against stock at the reporting date was £1,581,788 (2017: £607,346).

Estimates are made of the net realisable value of stock at the year end. In some circumstances, stock is subsequently sold in excess of the net realisable value determined, which results in a reversal of the write down.

15 Trade and other debtors

	2018 £	2017 £
Current:		
Trade debtors	9,340,907	7,364,341
Other debtors	132,963	220,417
Prepayments and accrued income	259,311	155,955
Amounts owed by group undertakings	70,952,174	59,994,360
Total trade and other debtors	80,685,355	67,735,073

16 Cash and cash equivalents

	2018 £	2017 £
Cash and cash equivalents:		
Sterling	530,078	1,048,527
Euro	16,606	189,094
Dollar	149,275	31,202
Total cash and cash equivalents	695,959	1,268,823

Notes to the financial statements

for the year ended 31 December 2018

17 Interest bearing loans and borrowings

This note provides information about the contractual terms of the Company's interest-bearing loans and borrowings, which are measured at amortised cost. For more information about the Company's exposure to interest rate and foreign currency risk, see note 20.

	2018 £	2017 £
Non-current liabilities:		
Finance lease liabilities	1,875	5,625
Total non-current liabilities	1,875	5,625
Current liabilities:		
Overdraft	1,994,634	-
Finance lease liabilities	19,453	3,750
Total current liabilities	2,014,087	3,750
Total interest bearing loans and borrowings	2,015,962	9,375

Terms and debt repayment schedule

	Currency	Nominal interest rate	Year of maturity	Carrying value 2018 £	Carrying value 2017 £
Overdraft	GBP	2.9%	2019	1,994,634	-
Finance lease liabilities	GBP	13.3%	2019	21,328	9,375
				21,328	9,375

Finance lease liabilities

	Minimum lease payments 2018 £	Interest 2018 £	Principal 2018 £	Minimum lease payments 2017 £	Interest 2017 £	Principal 2017 £
Less than one year	21,683	2,330	19,353	4,500	750	3,750
Between one and five years	2,249	374	1,875	6,875	1,250	5,625
Total	23,932	2,704	21,228	11,375	2,000	9,375

Notes to the financial statements

for the year ended 31 December 2018

18 Trade and other creditors

	2018 £	2017 £
Current:		
Trade creditors	3,549,542	3,293,120
Social security and other taxes	773,106	451,792
Other creditors	190,508	33,172
Accruals and deferred income	1,072,427	1,177,732
Amounts owed to other group undertakings	47,905,271	29,702,950
Financial liabilities – forward contracts	-	11,084
Total trade and other creditors	53,490,854	34,669,850

19 Provisions for liabilities

	Provisions for dilapidations £	Other £	Total £
Non-current liabilities:			
Balance at 1 January 2018	(18,001)	-	(18,001)
Provisions made during the year	(12,998)	-	(12,998)
Amount utilised	-	-	-
Balance at 31 December 2018	(30,999)	-	(30,999)

The dilapidation provision is held in respect of leasehold properties held by the Company and represents management's best estimate of the amount which is expected to be settled in respect of dilapidation costs for the relevant sites. During the year £nil (2017: £88,501) of the provision was utilised to repair the roof. The ongoing provision is expected to be utilised in more than 5 years.

20 Financial instruments

20.1 Interest rate risk

At the reporting date the interest rate profile of the Company's interest-bearing financial instruments was:

Notes to the financial statements

for the year ended 31 December 2018

20 Financial instruments (continued)

	2018	2017
	£	£
Fixed rate instruments		
Financial liabilities	21,328	9,375

Fixed rate instruments relate to finance leases.

20.2 Foreign currency risk

The main currency related risk to the Company comes from forward purchasing of stocks, settling of transactions in foreign currency and from transactions with other group foreign operations. This risk is mainly managed by entering into forward currency contracts. The Company does not apply hedge accounting in respect of these forward currency contracts, the changes in fair value have been recognised in the profit or loss.

The Company's exposure to foreign currency risk is as follows. This is based on the carrying amount for monetary financial instruments except derivatives when it is based on notional amounts.

	Sterling £	Euro £	US Dollar £	Total £
31 December 2018				
Cash and cash equivalents	530,078	16,606	149,275	695,959
Trade and other debtors	9,176,688	103,001	61,218	9,473,870
Trade creditors	(2,100,787)	(498,967)	(949,788)	(3,549,542)
Overdraft	(1,994,634)	-	-	(1,994,634)
Forward exchange contracts	-	-	-	-
Net exposure	5,611,345	(379,360)	(739,295)	4,625,653
	Sterling £	Euro £	US Dollar £	Total £
31 December 2017				
Cash and cash equivalents	1,048,527	189,094	31,202	1,268,823
Trade and other debtors	7,443,626	9,262	131,870	7,584,758
Trade creditors	(2,192,227)	(474,503)	(626,390)	(3,293,120)
Forward exchange contracts	-	(698,765)	-	(698,765)
Net exposure	6,299,926	(974,912)	(463,318)	4,861,696

20.3 Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's debts from customers. The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. Management also considers the factors that may influence the credit risk of its customer base, including the default risk of the industry and country in which the customers operate. The Company has an established credit policy under which the credit status of each new customer is reviewed before credit is advanced. This includes external evaluations where possible. Credit limits are established for customers and outstanding balances are reviewed regularly by management.

The concentration of credit risk for trade debtors at the reporting date by geographic region was:

Notes to the financial statements

for the year ended 31 December 2018

20 Financial instruments (continued)

	2018 £	2017 £
UK	8,929,345	7,107,679
Europe	388,382	254,345
Rest of World	23,180	2,317
Total	9,340,907	7,364,341

Credit quality of financial assets and impairment losses

The aging of trade debtors at the reporting date was:

	Gross 2018 £	Impairment 2018 £	Gross 2017 £	Impairment 2017 £
Not past due	8,922,070	94,757	7,247,312	28,529
Past due 0 – 30 days	308,005	12,173	153,810	8,252
More than 30 days	285,252	67,490	45,000	45,000
Total	9,515,327	174,420	7,446,122	81,781

Some of the unimpaired trade debtors are past due as at the reporting date. These past due debtors are not resultant from any major disputes with customers. There have been no other indicators that would cast doubt over the credit worthiness of such customers.

The Company establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade debtors. The movement in the allowance for impairment in respect of trade debtors during each year was as follows:

	2018 £	2017 £
Balance at 1 January	81,780	79,318
Acquired	126,715	-
Provision utilised	(33,090)	(12,756)
Increase in provision	(985)	15,219
Balance at 31 December	174,420	81,781

The allowance account for trade debtors is used to record impairment losses unless the Company is satisfied that no recovery of the amount owing is possible; at that point the amounts considered irrecoverable are written off against the trade debtors directly.

20.4 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. Management monitors and manages liquidity for the Company and ensures that the Company has sufficient headroom in its committed facilities to meet unforeseen or abnormal requirements. Available headroom is monitored via the use of detailed cash flow forecasts. Particular focus is given to management of working capital.

The following are the contractual maturities of financial liabilities:

Notes to the financial statements
for the year ended 31 December 2018

20 Financial instruments (continued)

Year ended 31 December 2018	Carrying amount £	1 year or less £	1 to 2 years £	2 to 5 years £
Non-derivative financial liabilities				
Trade creditors	3,549,542	3,549,542	-	-
Finance lease liabilities	21,328	1,875	19,453	-
Overdraft	1,994,634	1,994,634	-	-
Derivative financial liabilities				
Other forward exchange contracts	-	-	-	-
Total	5,565,504	5,546,051	19,453	-

Year ended 31 December 2017	Carrying amount £	1 year or less £	1 to 2 years £	2 to 5 years £
Non-derivative financial liabilities				
Trade creditors	3,293,120	3,293,120	-	-
Finance lease liabilities	9,375	3,750	5,625	-
Derivative financial liabilities				
Other forward exchange contracts	11,084	11,084	-	-
Total	3,313,579	3,307,954	5,625	-

There are no contractual maturities over five years.

20.5 Fair values of financial instruments

The fair value of forward currency exchange contracts was determined using quoted forward exchanges rates matching the maturity of the contracts.

21 Authorised, issued and called up share capital

	2018 £	2017 £
Authorised		
100,000 "A" Ordinary shares of 1 pence each	1,000	1,000
560 "B" Ordinary shares of 1 pence each	6	6
560 "C" Ordinary shares of 1 pence each	6	6
Total authorised	1,012	1,012
Allotted, called up and fully paid		
10,000 "A" Ordinary shares of 1 pence each	100	100
560 "B" Ordinary shares of 1 pence each	6	6
560 "C" Ordinary shares of 1 pence each	6	6
Total allotted, called up and fully paid	112	112

Each category of share has equivalent rights in respect of both voting and on a winding-up of the company.

Notes to the financial statements

for the year ended 31 December 2018

22 Employee benefits

22.1 Pension plans

The Company operates a defined contribution plan. The total expense relating to this plan in each year was £55,892 (2017: £33,117).

22.2 Share based payments

Certain Company employees have received share options granted by the Group's share option plans further details of which are disclosed in the consolidated financial statements of the ultimate parent company Flowtech Fluidpower plc.

In total £21,060 (2017: £43,602) of employee remuneration expenses all of which related to equity-settled share-based payment transactions has been included in the Income Statement.

23 Operating lease commitments

Non-cancellable operating leases rentals are payable as follows:

	2018 £	2017 £
In one year or less	574,208	418,196
Between one and five years	1,663,143	1,235,650
More than five years	2,539,858	2,494,313
Total	4,777,209	4,148,159

The Company acts as a lessee for land and buildings and motor vehicles, under operating leases. The Company's significant lease arrangements are for properties, for which there are no significant lease incentives. As at 31 December 2018, the property lease periods range from less than one year to ten years.

The disclosures above for non-cancellable operating lease rentals have been split out below to show the split between land and buildings and other assets which include motor vehicles.

	Land and buildings		Other	
	2018 £	2017 £	2018 £	2017 £
In one year or less	434,436	321,375	139,772	96,821
Between one and five years	1,581,748	1,129,500	81,395	106,150
More than five years	2,539,858	2,494,313	-	-
Total	4,556,042	3,945,188	221,167	202,971

During the year £567,473 was recognised as an expense in the Income Statement in respect of operating leases (2017: £500,267).

Notes to the financial statements

for the year ended 31 December 2018

24 Transfer of trade and assets from Beaumanor Engineering Limited

On 19th March 2018, the Company acquired 100% of the share capital of BALU Limited, a UK based holding company, and its UK subsidiaries, thereby obtaining control.

Details of the provisional fair value of identifiable assets and liabilities acquired, purchase consideration, goodwill and intangible assets are as follows:

	Book value £	Fair value adjustment £	Intangible asset recognised on acquisition £	Provisional fair value £
Property, plant and equipment	918	(298)	-	620
Intangible assets	-	-	1,234	1,234
Inventories	2706	828	-	3,534
Trade and other receivables	2,945	(90)	-	2,855
Overdrafts	(1,312)	-	-	(1,312)
Finance lease	(318)	-	-	(318)
Trade and other payables	(2,183)	-	-	(2,183)
Current tax balances	24	-	-	24
Deferred tax liability	(57)	-	(156)	(213)
Provisions	-	(35)	-	(35)
Total net assets	2,723	405	1,078	4,206

	£
Fair value of consideration paid	
Amount settled in cash	8,391
Shares issued in Flowtech Fluidpower Plc	500
Total consideration	8,891

The trade and assets of Beaumanor Engineering Assets were hived up to the company on 1st July 2018.

25 Capital commitments

The Company had no capital expenditure contracted for but not provided at 31 December 2018 (2017: £163,000).

26 Contingent liabilities

The Company is party to an intra-group funding arrangement with the other group companies, and could be required to provide funds to enable them to meet their financial obligations. The total amount outstanding at the year end was £21,994,635 (2017: £19,388,472) comprising a bank loan and revolving credit facility which are secured by legal charges over certain of the Group's assets including trade receivables and stock.

27 Related party transactions

During the year the Company entered into transactions, in the ordinary course of business, with related parties, all of whom are fellow wholly owned subsidiaries of the ultimate group undertaking. The Company has taken advantage of the exemption under paragraph 8(k) of FRS 101 not to disclose these transactions.

Notes to the financial statements

for the year ended 31 December 2018

28 Ultimate group undertaking

The company is a subsidiary undertaking of Fluidpower Holdings Limited, incorporated in the United Kingdom. The ultimate parent company is Flowtech Fluidpower plc, incorporated in the United Kingdom.

The consolidated accounts of this company are available to the public and may be obtained from Bollin House, Riverside Business Park, Wilmslow, SK9 1DP.