

Fluidpower Limited

Annual Report and Financial Statements

Registered number 01672034

31 December 2017



Fluidpower Limited

Company Information

Directors

Sean Fennon
Bryce Brooks
Keith Dickinson
John Farmer

Registered number

01672034

Registered office

Pimbo Road
Skelmersdale
Lancashire
WN8 9RB

Independent auditor

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

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Strategic Report

Introduction

The Directors' present their Strategic Report of Fluidpower Limited (the "Company") for the year ended 31 December 2017. The Company's principal activity is the purchasing and distribution of fluid power components, principally within the UK and Eire. The Company operates through two divisions, Flowtechnology UK and Indequip.

Business review

As shown in the Company's Income Statement on page 8, the Company's sales increased by 3.4% from the previous year to £32,837,922. Gross profit margin has been maintained at 36% (2016: 36%) and operating profit was £5.9m (2016: £5.6m). The Directors believe this represents a very satisfactory performance given the challenging trading conditions experienced during the year, and the outlook for 2018 and beyond remains very good.

The Statement of Financial Position on page 9 shows the net assets of the company have increased by £0.8m to £48.2m.

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 £46,915 compared to prior year £45,552.

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



Bryce Brooks
Director
24 September 2018

Directors' Report

The Directors present the audited Financial Statements of Fluidpower Limited (the "Company") for the year ended 31 December 2017.

Directors

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

Sean Fennon
Bryce Brooks
Keith Dickinson
John Farmer

Dividends

Dividends paid during the period were £4,000,000 (2016: £4,250,000), 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 14 and 15. 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 19.

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



Bryce Brooks
Director

24 September 2018

Statement of Directors' responsibilities

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 they 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 of the Company and of 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 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 Limited

Opinion

We have audited the financial statements of Fluidpower Limited (the 'company') for the year ended 31 December 2017 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 2017 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.

Who we are reporting to

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.

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 has 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.



Michael Frankish
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Manchester
24 September 2018

Income Statement

for the year ended 31 December 2017

	Note	2017 £	2016 £
Turnover	3	32,837,922	31,756,314
Cost of sales		(21,156,115)	(20,413,989)
Gross profit		11,681,807	11,342,325
Distribution costs		(1,937,752)	(1,994,131)
Administrative expenses		(3,815,686)	(3,726,744)
Operating profit	4	5,928,369	5,621,450
Interest receivable and similar income	6	13	922
Interest payable and similar cost	7	(13,139)	(315,509)
Profit on ordinary activities before taxation		5,915,243	5,306,863
Tax expense	8	(889,171)	(1,055,891)
Profit for the financial year		5,026,072	4,250,972

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.

Statement of Financial Position
at 31 December 2017

	Note	2017 £	2016 £
Fixed assets			
Goodwill	10	631,691	631,691
Intangible assets	11	60,800	80,000
Tangible assets	12	3,109,469	2,073,955
Total fixed assets		3,801,960	2,785,646
Current assets			
Stocks	13	10,494,182	10,488,508
Trade and other debtors	14	67,735,073	60,490,750
Cash and cash equivalents	15	1,268,823	1,782,053
Total current assets		79,498,078	72,761,311
Creditors: amounts falling due within one year			
Interest-bearing loans and borrowings	16	3,750	5,625
Trade and other creditors	17	34,669,850	27,349,855
Tax payable		280,192	589,401
Total creditors: amounts falling due within one year		34,953,792	27,944,881
Net current assets		44,544,286	44,816,430
Total assets less current liabilities		48,346,246	47,602,076
Creditors: amounts falling due after one year			
Interest-bearing loans and borrowings	17	5,625	9,375
Provisions for liabilities	19	(18,002)	44,500
Deferred tax liabilities	8	117,448	91,116
Total creditors: amounts falling due after one year		105,071	144,991
Net assets		48,241,175	47,457,085
Capital and reserves			
Share capital	20	112	112
Share premium account		9,974	9,974
Share-based payment reserve		1,071	243,053
Retained earnings		48,230,018	47,203,946
Total equity		48,241,175	47,457,085

The Financial Statements on pages 8 to 29 were approved by the Directors on 24 September 2018 and were signed by:



Bryce Brooks
Director

Fluidpower Limited
Pimbo Road
Skelmersale
Lancashire
WN8 9RB

Statement of Changes in Equity
for the year ended 31 December 2017

	Share capital £	Share premium £	Share-based payment reserve £	Retained earnings £	Total Equity £
Balance at 1 January 2016	112	9,974	142,355	47,202,974	47,355,415
Profit for the year	-	-	-	4,250,972	4,250,972
Total comprehensive income for the year	-	-	-	4,250,972	4,250,972
Transactions with owners					
Share-based payment charge	-	-	100,698	-	100,698
Equity dividends paid (note 9)	-	-	-	(4,250,000)	(4,250,000)
Total transactions with owners	-	-	100,698	(4,250,972)	(4,149,802)
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 31 December 2017	112	9,974	1,071	48,230,018	48,241,175

Notes to the Financial Statements

for the year ended 31 December 2017

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

The Financial Statements of Fluidpower Limited (formerly Flowtech Limited) (the "Company") for the year ended 31 December 2017 were authorised for issue by the Board of Directors on 24 September 2018 and the Statement of Financial Position was signed on the Board's behalf by Bryce Brooks. Fluidpower 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 Group Limited.

The results of Fluidpower Group Limited are included in the consolidated financial statements of Flowtech Fluidpower plc which are available from Pimbo Road, Skelmersdale, Lancashire, England, WN8 9RB.

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 2017.

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";
- (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;

Notes to the financial statements

for the year ended 31 December 2017

2 Accounting policies (continued)

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 2017 is £10,494,182 (2016: £10,488,508) and included a provision against the stocks of £607,346 (2016: £585,470). During the year £24,647 (2016: £176,809) of the provision was utilised following the scrapping and sale of obsolete stock. A further provision of £46,523 was made in 2017 (2016: £66,713). 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.

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.

Notes to the financial statements

for the year ended 31 December 2017

2 Accounting policies (continued)

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:

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.

Notes to the financial statements

for the year ended 31 December 2017

2 Accounting policies (continued)

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.

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.

Notes to the financial statements

for the year ended 31 December 2017

2 Accounting policies (continued)

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.

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.

Notes to the financial statements

for the year ended 31 December 2017

2 Accounting policies (continued)

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 21.2
- "Retained earnings" represent retained earnings of the 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.

3 Turnover

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

	2017 £	2016 £
United Kingdom	30,499,878	29,670,829
Europe	2,289,763	2,039,805
Rest of World	48,281	45,680
Total turnover	32,837,922	31,756,314

Notes to the financial statements

for the year ended 31 December 2017

4 Operating profit

This is stated after charging/(crediting):

	2017 £	2016 £
Impairment loss on trade debtors	15,219	64,468
Loss / (gain) on foreign currency transactions	26,082	(135,586)
Impairment loss on stock	46,523	66,713
Depreciation of owned tangible fixed assets	421,127	357,190
Depreciation of leased tangible fixed assets	1,500	1,500
Amortisation of intangible assets	19,200	16,000
Loss / (profit) on sale of tangible fixed assets	186	(13,570)
Operating lease rentals		
- Land and buildings	400,927	351,500
- Other	99,341	134,032
Repairs and maintenance expenditure on tangible fixed assets	66,806	78,880

Auditor's remuneration

Audit fees are borne by another group undertaking.

5 Staff costs and Directors' remuneration

	2017 £	2016 £
Staff costs		
Wages and salaries	3,435,864	2,719,172
Social security costs	305,293	226,506
Contributions to defined contribution pension plans	33,117	24,982
Share-based payments	43,602	100,698
Total staff costs	3,817,876	3,071,358

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

	2017 Number	2016 Number
Distribution	75	74
Administration	66	56
Total number	141	130

Notes to the financial statements

for the year ended 31 December 2017

5 Staff costs and Directors' remuneration (continued)

	2017 £	2016 £
Directors' remuneration		
Remuneration	187,971	185,471
Contributions to defined contribution pension plans	1,091	1,288
Benefits in kind	25,774	21,877
Total Directors' remuneration	214,836	208,636

During the year one Director (2016: one) participated in defined contribution pension schemes. No Directors participated in defined benefit schemes (2016: none).

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

	2017 £	2016 £
Highest paid Director's remuneration		
Remuneration	101,929	101,929
Contributions to defined contribution pension plans	1,091	1,288
Benefits in kind	12,363	10,575
Total highest paid Director's remuneration	115,293	113,792

6 Interest receivable and similar income

	2017 £	2016 £
Interest receivable and similar income		
Interest income from cash and cash equivalents	13	922
Total interest receivable and similar income	13	922

7 Interest payable and similar cost

	2017 £	2016 £
Interest payable and similar cost		
Invoice discounting, stock loan and revolving credit facilities	1,306	241,365
Finance charges payable in respect of finance leases	749	750
Fair value losses on forward exchange contracts held for trading	11,084	73,394
Total interest payable and similar cost	13,139	315,509

Notes to the financial statements

for the year ended 31 December 2017

8 Taxation

a) Tax charged in the income statement

	2017 £	2016 £
Current tax		
UK corporation tax payable	905,057	1,067,267
Adjustment in respect of prior year	(42,218)	54,536
Total current tax	862,839	1,121,803
Deferred tax		
Origination and reversal of temporary differences	11,809	(23,186)
Adjustments in respect of prior periods	14,523	(41,450)
Change in tax rate	-	(1,273)
Total deferred tax	26,332	(65,909)
Total tax expense	889,171	1,055,891

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 19.25% (2016: 20.00%). The differences are reconciled below:

	2017 £	2016 £
Profit before taxation	5,915,243	5,306,863
Tax calculated at the UK standard rate of corporation tax of 19.25% (2016: 20.00%)	1,138,684	1,061,373
Effect of share option exercises	(45,598)	-
Impact of change in tax rate	(3,120)	(6,937)
Amounts not deductible	3,279	3,377
(Over)/under provided in prior years	(27,695)	13,086
Group relief	(176,379)	(15,008)
Total tax expense	889,171	1,055,891

c) Change in corporation tax rate

A reduction in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) was substantively enacted on 26 October 2015. A further reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly. The deferred tax assets and liabilities at 31 December 2017 have been calculated based on these rates.

Notes to the financial statements

for the year ended 31 December 2017

8 Taxation (continued)

d) Deferred tax

	Assets		Liabilities	
	2017	2016	2017	2016
	£	£	£	£
Intangible assets	-	-	(13,056)	(16,000)
Tangible fixed assets	-	-	(180,841)	(155,055)
Financial assets	2,168	575	-	-
Provisions	12,124	29,330	-	-
Employee benefits	62,157	50,034	-	-
Tax assets/(liabilities)	76,449	79,939	(193,897)	(171,055)
Net deferred tax liability			(117,448)	(91,116)

Movement in deferred tax during the year ended 31 December 2017

	1 January 2017	Acquired in the 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

Movement in deferred tax during the year ended 31 December 2016

	1 January 2016	Acquired in year	Recognised in income	31 December 2016
	£	£	£	£
Intangible assets	-	19,200	(3,200)	16,000
Tangible fixed assets	193,680	-	(38,625)	155,055
Financial assets	(822)	-	247	(575)
Provisions	(24,133)	-	(5,197)	(29,330)
Employee benefits	(30,900)	-	(19,134)	(50,034)
	137,825	19,200	(65,909)	91,116

9 Dividends paid and proposed

	2017	2016
	£	£
Declared and paid during the year		
Equity dividends of £400 per A ordinary share (2016: £425)	4,000,000	4,250,000
Total dividends paid	4,000,000	4,250,000

No dividends are proposed at the end of the period.

Notes to the financial statements

for the year ended 31 December 2017

10 Goodwill

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

	2017 £
Gross carrying value	
At 1 January 2017	631,691
Additions	-
At 31 December 2017	631,691
Accumulated impairment	
At 1 January 2017	-
Charge for year	-
At 31 December 2017	-
Carrying amount at 31 December 2017	631,691

The goodwill relates to the acquisition of the trade and assets of Indequip on 19 February 2016.

11 Other intangible assets

	2017 £
Gross carrying value	
At 1 January 2017	96,000
Additions	-
At 31 December 2017	96,000
Amortisation and impairment	
At 1 January 2017	16,000
Amortisation charge for year	19,200
At 31 December 2017	35,200
Carrying amount at 31 December 2017	60,800

Other intangibles relate to the acquisition of the trade and assets of Indequip on 19 February 2016 and are the valuation of the brand value of the trade.

Notes to the financial statements

for the year ended 31 December 2017

12 Tangible fixed assets

	Plant, machinery & equipment £
Cost	
At 1 January 2016	6,580,214
Additions	1,460,189
Disposals	(19,055)
At 31 December 2017	8,021,348
Depreciation	
At 1 January 2016	4,506,259
Charge for year	422,627
Disposals	(17,007)
At 31 December 2017	4,911,879
Net book value	
At 31 December 2017	3,109,469
At 31 December 2016	2,073,955

13 Stocks

	2017 £	2016 £
Finished goods and goods for resale	10,494,182	10,488,508

Changes in finished goods recognised as cost of sales in the year amounted to £19,214,745 (2016: £18,758,763). The write down or reversal of stocks to net realisable value amounted to a write down of £46,523 (2016: write down of £66,713). The write-downs and reversals are included in cost of sales. The provision made against stock at the reporting date was £607,346 (2016: £585,470).

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.

14 Trade and other debtors

	2017 £	2016 £
Current:		
Trade debtors	7,364,341	7,432,955
Other debtors	220,417	433,986
Prepayments and accrued income	155,955	100,584
Amounts owed by group undertakings	59,994,360	52,523,225
Total trade and other debtors	67,735,073	60,490,750

Notes to the financial statements

for the year ended 31 December 2017

15 Cash and cash equivalents

	2017 £	2016 £
Cash and cash equivalents:		
Sterling	1,048,527	1,632,070
Euro	189,094	112,105
Dollar	31,202	37,878
Total cash and cash equivalents	1,268,823	1,782,053

16 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 19.

	2017 £	2016 £
Non-current liabilities:		
Finance lease liabilities	5,625	9,375
Total non-current liabilities	5,625	9,375
Current liabilities:		
Finance lease liabilities	3,750	5,625
Total current liabilities	3,750	5,625
Total interest bearing loans and borrowings	9,375	15,000

Terms and debt repayment schedule

	Currency	Nominal interest rate	Year of maturity	Carrying value 2017 £	Carrying value 2016 £
Finance lease liabilities	GBP	13.3%	2019	9,375	15,000
				9,375	15,000

Finance lease liabilities

	Minimum lease payments 2017 £	Interest 2017 £	Principal 2017 £	Minimum lease payments 2016 £	Interest 2016 £	Principal 2016 £
Less than one year	4,500	750	3,750	6,375	750	5,625
Between one and five years	6,875	1,250	5,625	10,625	1,250	9,375
Total	11,375	2,000	9,375	17,000	2,000	15,000

Notes to the financial statements

for the year ended 31 December 2017

17 Trade and other creditors

	2017 £	2016 £
Current:		
Trade creditors	3,293,120	2,605,421
Social security and other taxes	451,792	584,242
Other creditors	33,172	518,911
Accruals and deferred income	1,177,732	587,764
Amounts owed to other group undertakings	29,702,950	22,996,536
Financial liabilities – forward contracts	11,084	56,981
Total trade and other creditors	34,669,850	27,349,855

18 Provisions for liabilities

	Provisions for dilapidations £	Other £	Total £
Non-current liabilities:			
Balance at 1 January 2017	44,500	-	44,500
Provisions made during the year	26,000	-	26,000
Amount utilised	(88,501)	-	(88,501)
Balance at 31 December 2017	(18,001)	-	(18,001)

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 £88,501 of the provision was utilised to repair the roof. The ongoing provision is expected to be utilised in more than 5 years.

19 Financial instruments

19.1 Interest rate risk

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

	2017 £	2016 £
Fixed rate instruments		
Financial liabilities	9,375	15,000

Fixed rate instruments relate to finance leases.

Notes to the financial statements

for the year ended 31 December 2017

19 Financial instruments (continued)

19.2 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 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
	Sterling £	Euro £	US Dollar £	Total £
31 December 2016				
Cash and cash equivalents	1,632,070	112,105	37,878	1,781,753
Trade and other debtors	7,510,594	15,930	340,416	7,866,940
Trade creditors	(1,960,161)	(593,800)	(51,459)	(2,605,420)
Forward exchange contracts	-	(540,544)	-	(540,544)
Net exposure	7,182,503	(1,006,309)	326,835	6,503,029

19.3 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:

	2017 £	2016 £
UK	7,107,679	7,175,257
Europe	254,345	257,171
Rest of World	2,317	527
Total	7,364,341	7,432,955

Notes to the financial statements

for the year ended 31 December 2017

19 Financial instruments (continued)

Credit quality of financial assets and impairment losses

The aging of trade debtors at the reporting date was:

	Gross 2017 £	Impairment 2017 £	Gross 2016 £	Impairment 2016 £
Not past due	7,247,312	28,529	7,293,064	19,407
Past due 0 – 30 days	153,810	8,252	125,966	320
More than 30 days	45,000	45,000	93,243	59,591
Total	7,446,122	81,781	7,512,273	79,318

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:

	2017 £	2016 £
Balance at 1 January	79,318	98,614
Provision utilised	(12,756)	(83,765)
Increase in provision	15,219	64,469
Balance at 31 December	81,781	79,318

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.

19.4 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:

	Carrying amount £	1 year or less £	1 to 2 years £	2 to 5 years £
Year ended 31 December 2017				
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	-

Notes to the financial statements

for the year ended 31 December 2017

19 Financial instruments (continued)

Year ended 31 December 2016	Carrying amount £	1 year or less £	1 to 2 years £	2 to 5 years £
Non-derivative financial liabilities				
Trade creditors	2,605,421	2,605,421	-	-
Finance lease liabilities	15,000	5,625	9,375	-
Derivative financial liabilities				
Other forward exchange contracts	56,891	56,891	-	-
Total	2,677,312	2,667,937	9,375	-

There are no contractual maturities over five years.

19.5 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.

20 Authorised, issued and called up share capital

	2017 £	2016 £
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 2017

21 Employee benefits

21.1 Pension plans

The Company operates a defined contribution plan. The total expense relating to this plan in each year was £33,117 (2016: £24,982).

21.2 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 £43,602 (2016: £100,698) of employee remuneration expenses all of which related to equity-settled share-based payment transactions has been included in the Income Statement.

22 Operating lease commitments

Non-cancellable operating leases rentals are payable as follows:

	2017 £	2016 £
In one year or less	418,196	476,512
Between one and five years	1,235,650	1,474,989
More than five years	2,494,313	3,072,917
Total	4,148,159	5,024,418

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 2017, 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	
	2017 £	2016 £	2017 £	2016 £
In one year or less	321,375	351,500	96,821	125,012
Between one and five years	1,129,500	1,250,000	106,150	224,989
More than five years	2,494,313	3,072,917	-	-
Total	3,945,188	4,674,417	202,971	350,001

During the year £500,267 was recognised as an expense in the Income Statement in respect of operating leases (2016: £485,532).

Notes to the financial statements

for the year ended 31 December 2017

23 Capital commitments

The Company had capital expenditure of £163,000 contracted for but not provided at 31 December 2017 (2016: £63,175).

24 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 £19,388,472 (2016: £16,587,143) 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.

25 Subsequent events

On 19 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.

The initial consideration paid was £6,059,000 in cash, £500,00 in shares in the ultimate parent company, Flowtech Fluidpower plc with additional estimated consideration of £2,332,000 anticipated to be paid within 12 months. The cash consideration was funded through existing resources, supplemented by a share issue by Flowtech Fluidpower plc on 4 April. The acquisition will add significantly to the Company's procurement relationship with key global suppliers of hydraulic components.

Net assets acquired per the management accounts pre acquisition were £3,395,221. Fair value adjustments to the identifiable assets and liabilities acquired will be reviewed prior to the issue of the next financial statements.

There are no other material adjusting or non-adjusting events subsequent to the reporting date.

26 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.

27 Ultimate group undertaking

The company is a subsidiary undertaking of Fluidpower Group 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 Pimbo Road, Skelmersdale, Lancashire, England, WN8 9RB.