

REGISTERED NUMBER: 03503896

**Parker Hannifin Manufacturing
(UK) Limited**

**Strategic Report, Report of the Directors and
Financial Statements for the Year Ended 30 June 2016**

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for the Year Ended 30 June 2016**

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**Parker Hannifin Manufacturing
(UK) Limited**

**Company Information
for the Year Ended 30 June 2016**

DIRECTORS:

G M Ellinor
J A D Elsey
P R Bale

SECRETARY:

G M Ellinor

REGISTERED OFFICE:

Parker House
55 Maylands Avenue
Hemel Hempstead
Hertfordshire
HP2 4SJ

REGISTERED NUMBER:

03503896

AUDITOR:

Deloitte LLP
Chartered Accountants and Statutory Auditor
St Albans, United Kingdom

SOLICITORS:

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

**Parker Hannifin Manufacturing
(UK) Limited (Registered number: 03503896)**

**Strategic Report
for the Year Ended 30 June 2016**

The directors present their strategic report for the year ended 30 June 2016.

REVIEW OF BUSINESS

The company has made a profit after tax for the year of £191,000 (2015: loss of £544,000).

The directors expect present levels of activity to be maintained and that the company will be profitable in the foreseeable future.

The company has net assets of £40,858,000 (2015: £40,667,000) and is profitable, therefore the directors consider that it is appropriate to prepare the financial statements on a going concern basis. Furthermore, its ultimate parent undertaking, Parker Hannifin Corporation, has committed to provide financial support in order for the Company to meet its financial obligations as they fall due, for a period of at least twelve months from the date of signing the financial statements, should it be necessary to do so.

On 1 April 2016 Parker Hannifin Manufacturing (UK) Ltd sold part of its business relating to the Thetford site at market value to Parker Hannifin Manufacturing Ltd for a consideration of £948,000.

PRINCIPAL RISKS AND UNCERTAINTIES


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

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

KEY PERFORMANCE INDICATORS ("KPI'S")

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

BY ORDER OF THE BOARD:


.....
G M Ellinor - Director

Date: 2 MAR. 2017

**Parker Hannifin Manufacturing
(UK) Limited (Registered number: 03503896)**

**Report of the Directors
for the Year Ended 30 June 2016**

The directors present their annual report and the audited financial statements of the company for the year ended 30 June 2016.

PRINCIPAL ACTIVITY

The principal activity of the company was to act as a manufacturer on behalf of Parker Hannifin Europe Sarl, a fellow group company.

DIVIDENDS

The directors do not recommend the payment of a dividend for the year (30 June 2015: £Nil).

RESEARCH AND DEVELOPMENT

The company has continued to invest in research and development programmes and infrastructure to support and expand its range of products. The company's research and development expenditure for the year ended 30 June 2016 amounted to £1,350,000 (2015: £1,140,000).

FUTURE DEVELOPMENTS

It is anticipated that the company will continue to operate in its current form for the foreseeable future.

DIRECTORS

The directors shown below have held office during the whole of the period from 1 July 2015 to the date of this report.

G M Ellinor

J A D Elsey

Other changes in directors holding office are as follows:

S E Annetts - resigned 31 March 2016

B Hurley - resigned 31 December 2015

A Wilson - resigned 31 October 2015

P R Bale - appointed 31 October 2015

D Turnbull ceased to be a director after 30 June 2016 but prior to the date of this report.

FINANCIAL INSTRUMENTS

The company does not employ the use of complex financial instruments, such as derivatives or hedging contracts.

EMPLOYEE POLICIES

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the company continues and the appropriate training is arranged. It is the policy of the company that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability.

Consultation with employees or their representatives has continued at all levels, with the aim of ensuring that views are taken into account when decisions are made that are likely to affect their interests and that all employees are aware of the financial and economic performance of their business units and of the company as a whole. Communication with all employees continues through internal communication, briefing groups and the distribution of the annual report.

DISCLOSURE IN THE STRATEGIC REPORT

The Review of Business and the Principal Risks and Uncertainties are disclosed in the Strategic Report.

**Parker Hannifin Manufacturing
(UK) Limited (Registered number: 03503896)**

**Report of the Directors
for the Year Ended 30 June 2016**

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Report of the Directors 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 (comprising Financial Reporting Standard 102 "The Financial Reporting Standard Applicable in the UK and Republic of Ireland" (FRS 102), and applicable law). 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 judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards comprising FRS 102 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 the prevention and detection of fraud and other irregularities.

DISCLOSURE OF INFORMATION TO THE AUDITOR

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

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

AUDITOR

The auditor, Deloitte LLP, has indicated its willingness to continue in office and a resolution that it be reappointed as auditor will be proposed at the annual general meeting.

BY ORDER OF THE BOARD:


.....
G M Ellinor - Director

Date: 2 MAR. 2017

**Report of the Independent Auditor to the Members of
Parker Hannifin Manufacturing
(UK) Limited**

We have audited the financial statements of Parker Hannifin Manufacturing (UK) Limited for the year ended 30 June 2016 which comprise the income statement, the statement of total comprehensive income, the balance sheet, the statement of changes in equity and the related notes 1 to 23 on pages 6 to 24. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

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 a Report of the Auditor and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2016 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.

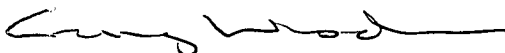
Opinion on other matter prescribed by the Companies Act 2006

In my opinion the information given in the Strategic Report and the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where 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.



Craig Wisdom ACA (Senior statutory auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
St Albans, United Kingdom

Date: 7 March 2017

**Parker Hannifin Manufacturing
(UK) Limited (Registered number: 03503896)**

**Income Statement
for the Year Ended 30 June 2016**

	Notes	30.6.16 £'000	30.6.15 £'000
TURNOVER	4	20,165	19,852
Cost of sales		(18,951)	(18,318)
GROSS PROFIT		1,214	1,534
Administrative expenses		(786)	(1,129)
OPERATING PROFIT	7	428	405
Profit on sale of operations	8	1,093	-
Impairment of investment	14	(705)	-
Profit on sale of investment		-	(372)
		816	33
Income from fixed asset investments	9	27	100
Interest receivable and similar income		77	57
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		920	190
Tax on profit on ordinary activities	10	(729)	(734)
PROFIT/(LOSS) FOR THE FINANCIAL YEAR		191	(544)

All activities derive from continuing operations.

The notes on pages 10 to 24 form part of these financial statements

**Parker Hannifin Manufacturing
(UK) Limited (Registered number: 03503896)**

**Statement of total comprehensive Income
for the Year Ended 30 June 2016**

	Notes	30.6.16 £'000	30.6.15 £'000
PROFIT/(LOSS) FOR THE YEAR		191	(544)
OTHER COMPREHENSIVE INCOME			
Revaluation of investment to fair value		-	180
Deferred tax		<u>-</u>	<u>(36)</u>
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF INCOME TAX		<u>-</u>	<u>144</u>
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		<u>191</u>	<u>(400)</u>


The notes on pages 10 to 24 form part of these financial statements

**Parker Hannifin Manufacturing
(UK) Limited (Registered number: 03503896)**

**Balance Sheet
30 June 2016**

	Notes	30.6.16 £'000	30.6.15 £'000
FIXED ASSETS			
Intangible assets	12	1,028	1,778
Tangible assets	13	6,020	6,514
Investments	14	<u>5,515</u>	<u>6,221</u>
		<u>12,563</u>	<u>14,513</u>
CURRENT ASSETS			
Stocks	15	-	614
Debtors	16	<u>35,903</u>	<u>33,690</u>
		35,903	34,304
CREDITORS			
Amounts falling due within one year	17	<u>(7,605)</u>	<u>(8,150)</u>
NET CURRENT ASSETS		<u>28,298</u>	<u>26,154</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		40,861	40,667
PROVISIONS FOR LIABILITIES	19	<u>(3)</u>	<u>-</u>
NET ASSETS		<u>40,858</u>	<u>40,667</u>
CAPITAL AND RESERVES			
Called up share capital	20	36,400	36,400
Revaluation reserve	21	204	204
Capital contribution reserve	21	10,067	10,067
Retained earnings		<u>(5,813)</u>	<u>(6,004)</u>
SHAREHOLDERS' FUNDS		<u>40,858</u>	<u>40,667</u>

The financial statements were approved and authorised for issue by the Board of Directors on 2 MAR 2017 and were signed on its behalf by:


.....
G M Ellinor - Director

The notes on pages 10 to 24 form part of these financial statements

**Parker Hannifin Manufacturing
(UK) Limited (Registered number: 03503896)**

**Statement of Changes in Equity
for the Year Ended 30 June 2016**

	Called up share capital £'000	Retained earnings £'000	Revaluation reserve £'000	Capital contribution reserve £'000	Total equity £'000
Balance at 1 July 2014	36,400	(5,460)	59	10,067	41,066
Changes in equity					
Total comprehensive loss	-	(544)	145	-	(399)
Balance at 30 June 2015	<u>36,400</u>	<u>(6,004)</u>	<u>204</u>	<u>10,067</u>	<u>40,667</u>
Changes in equity					
Total comprehensive income	-	191	-	-	191
Balance at 30 June 2016	<u>36,400</u>	<u>(5,813)</u>	<u>204</u>	<u>10,067</u>	<u>40,858</u>

The notes on pages 10 to 24 form part of these financial statements

**Notes to the Financial Statements
for the Year Ended 30 June 2016**

1. GENERAL INFORMATION ON THE COMPANY

The principal activity of the Company is the supply to the United Kingdom market of all Parker Hannifin products through the local country sales location, as well as the manufacture and sale of motion control products to the United Kingdom and other territories. The Company is a wholly owned subsidiary in the Group of which Parker Hannifin Corporation is the ultimate parent.

The Company is a private company limited by shares and is incorporated and domiciled in England. The address of the registered office is Parker House, 55 Maylands Avenue, Hemel Hempstead, Hertfordshire, HP2 4SJ.

2. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Companies Act 2006.

3. ACCOUNTING POLICIES

Basis of preparing the financial statements

The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value, and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

The prior year financial statements were restated for material adjustments on adoption of FRS 102 in the current year. For more information see note 23.

The functional currency of the Company is considered to be pounds sterling because that is the currency of the primary economic environment in which the Company operates.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed below.

Financial reporting standard 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 11 Financial Instruments paragraphs 11.39 to 11.48A;
- the requirement of Section 33 Related Party Disclosures paragraph 33.7.

Related party exemption

The Company discloses transactions with related parties which are not wholly owned within the same Group. Where appropriate, transactions of a similar nature are aggregated unless, in the opinion of the directors, separate disclosure is necessary to understand the effect of the transactions on the Group financial statements.

As 100% of the Company's voting rights are controlled within the group headed by Parker Hannifin Inc., the Company has taken advantage of the exemption contained in FRS 102 and has therefore not disclosed transactions or balances with wholly owned entities which form part of the Parker Hannifin group. The consolidated financial statements of Parker Hannifin Inc., within which this Company is included, can be obtained from the address given in note 22.

Significant judgements and estimates

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. The following judgement and estimate has had the most significant effect on amounts recognised in the financial statements:

Goodwill - The useful economic life of goodwill is estimated at 20 years.

**Notes to the Financial Statements - continued
for the Year Ended 30 June 2016**

3. ACCOUNTING POLICIES - continued

Turnover

Turnover, which excludes value added tax, comprises manufacturer fees invoiced to Parker Hannifin Europe Sarl, a fellow group company. The fee revenue is recognised in the period in which the related expenditure is incurred.

Goodwill

Combinations of externally acquired business are accounted for as business combinations using the purchase method.

The Company has elected to apply the exemption available on transition to FRS 102 for business combinations occurring prior to the date of transition and has not sought to separately identify any other identifiable intangible assets that may have been separately recognised under FRS 102 but which were subsumed within goodwill under previous GAAP applied to business combinations.

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

For combinations involving the acquisition of the businesses of other group undertakings, including the hive up of trade and assets of fellow group and subsidiary undertakings, where there is no change in the ultimate ownership of the business, the Company considers the use of group reconstructions accounting principles using predecessor values. Where this is applied, the carrying amounts of the acquired group undertakings' net assets are brought into the Company at previous net book values at the date of transfer, and the operations of the acquired business recognised from the date of transfer. This method is applied to acquisitions arising after the date of transition to FRS 102 and if application of the full purchase method is not practical (e.g. if intangible assets acquired were not previously recognised by the acquiree and fair value information on such assets cannot be obtained in a pragmatic and cost efficient manner).

Impairment of non-financial assets

At each balance sheet date non-financial assets are assessed to determine whether there is an indication that the asset may be impaired. If there is such an indication the recoverable amount of the asset is compared to the carrying amount of the asset.

The recoverable amount of the asset is the higher of the fair value less costs to sell and value in use. Value in use is defined as the present value of the future cash flows before interest and tax obtainable as a result of the asset's continued use. These cash flows are discounted using a pre-tax discount rate that represents the current market risk-free rate and the risks inherent in the asset. If the recoverable amount of the asset is estimated to be lower than the carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognised in the income statement.

Goodwill is allocated on acquisition to the cash generating unit expected to benefit from the synergies of the combination. Goodwill is included in the carrying value of cash generating units for impairment testing.

Tangible fixed assets

Tangible fixed assets are shown at cost less accumulated depreciation.

Depreciation is calculated to write off the cost of fixed assets on a straight-line basis over the expected useful lives of the assets concerned. The principal annual rates used for this purpose, which are consistent with those of the previous year are:

Freehold buildings	2% - 5%
Plant and equipment	10% - 20%

Freehold land is not depreciated.

**Notes to the Financial Statements - continued
for the Year Ended 30 June 2016**

3. ACCOUNTING POLICIES - continued

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost is determined on a first in, first out basis and in the case of manufactured products, includes all direct expenditure and production overheads, based on the normal level of activity incurred in bringing the stocks to their current state and location. Net realisable value is the amount at which it is expected items of stock can be disposed of in the normal course of business after allowing for all further costs to completion and all directly related costs to be incurred in marketing, selling and distribution.

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

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

Taxation

Taxation expense for the period comprises current and deferred tax.

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements. Deferred tax is recognised on all timing differences at the reporting date. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

Current or deferred tax assets and liabilities are not discounted.

Research and development

Costs associated with research and development are expensed in the income statement in the period in which they arise. Government grant income received in relation to research and development expenditure is accounted for as other operating income in the period in which it is received.

Foreign currencies

The Company's functional and presentation currency is the pound sterling.

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing on that date. Resulting differences on foreign exchange are charged or credited to the income statement and included within administrative expenses.

Operating leases

At inception the Company assesses agreements that transfer the right to use assets and determines whether the arrangement is, or contains, a lease.

Leases of assets that do not transfer substantially all the risks and rewards incidental to ownership are classified as operating leases. Annual rentals in relation to operating leases are charged to the income statement on a straight-line basis over the lease term. The Company has no finance leases.

**Notes to the Financial Statements - continued
for the Year Ended 30 June 2016**

3. ACCOUNTING POLICIES - continued

Pension

The Company participates in a group plan along with other group undertakings of the Parker Hannifin group operating in the UK. The plan is a defined benefit plan, however the Company accounts for the plan as a defined contribution plan as it satisfies the conditions set out in section 28.38 of FRS 102, and another group company who is the principal employer accounts for the plan as a defined benefit plan in its financial statements. Accordingly, contributions payable by the Company to the plan are charged to the income statement as they become payable in the year.

Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Financial instruments

The Company has chosen to apply section 11 of FRS 102 in respect of financial instruments.

Basic financial assets, including trade debtors, amounts owed by group undertakings, cash and cash equivalents, and other debtors are initially recognised at transaction price, and subsequently at amortised cost using the effective interest method.

At the end of the reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment, and an impairment loss is recognised in the income statement if required.

Basic financial liabilities, including trade creditors, amounts owed to group undertakings, and accruals are recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest. Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

If a financial arrangement constitutes a financing transaction, such as an interest bearing long term loan, the transaction is initially measured at the present value of future receipts or payables discounted at a market rate of interest at inception of the arrangement. Subsequent to initial recognition the transaction is measured at amortised cost using the effective interest rate method.

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Investments

Investments are stated at market value, being the year end closing bid price of shares.

Going concern

The company has net assets of £40,858,000 (2015: £40,667,000) and net current assets of £28,298,000 (2015: £26,154,000). After taxation, the company made a profit for the year of £191,000 (2015: loss of £544,000) and as a manufacturer on behalf of other group companies the directors expect that the company will remain profitable in the future. Therefore the directors consider that it is appropriate to prepare the financial statements on a going concern basis. Furthermore, its ultimate parent undertaking, Parker Hannifin Corporation, has committed to provide financial support in order for the Company to meet its financial obligations as they fall due, for a period of at least twelve months from the date of signing the financial statements, should it be necessary to do so.

Employee benefits

Short term employee benefits, including salary and wages, annual bonus, holiday pay and other similar benefits are recognised as an expense in the period in which employee services are received.

The Company contributes to a defined contribution pension scheme. Contributions are charged to the income statement as they become payable in accordance with the rules of the scheme. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

**Notes to the Financial Statements - continued
for the Year Ended 30 June 2016**

4. TURNOVER

The turnover and profit before taxation are attributable to the one principal activity of the company.

All turnover and profits and losses were derived from continuing activities.

All turnover is from transactions with Parker Hannifin Europe Sarl, a fellow group company based in Switzerland. A geographical analysis of turnover is therefore not required.

5. STAFF COSTS

	30.6.16	30.6.15
	£'000	£'000
Wages and salaries	7,412	7,295
Social security costs	703	812
Other pension costs	<u>1,102</u>	<u>1,296</u>
	<u>9,217</u>	<u>9,403</u>

The average monthly number of employees during the year was as follows:

	30.6.16	30.6.15
Production	101	106
Administration	<u>96</u>	<u>111</u>
	<u>197</u>	<u>217</u>

Included within staff costs are termination payments of £717,000 (2015: £32,000).

6. DIRECTORS' EMOLUMENTS

	30.6.16	30.6.15
	£	£
Directors' remuneration	209,014	149,666
Directors' pension contributions to money purchase schemes	<u>14,862</u>	<u>14,862</u>

Information regarding the highest paid director for the year ended 30 June 2016 is as follows:

	30.6.16
	£
Emoluments	<u>209,014</u>

Only one director was remunerated for services to the company in the year to 30 June 2016.

Shares were received or receivable by four directors (30 June 2015: four), including the highest paid director.

One director (30 June 2015: two), exercised options during the year.

**Parker Hannifin Manufacturing
(UK) Limited (Registered number: 03503896)**

**Notes to the Financial Statements - continued
for the Year Ended 30 June 2016**

7. OPERATING PROFIT

The operating profit is stated after charging:

	30.6.16	30.6.15
	£'000	£'000
Other operating leases	-	19
Depreciation - owned assets	900	889
Loss on disposal of fixed assets	7	-
Goodwill amortisation	750	750
Research and development costs	<u>1,350</u>	<u>1,140</u>

Audit fees for the auditing of the financial statements amounting to £34,455 (30 June 2015: £35,000) were borne by Parker Hannifin Manufacturing Limited, a fellow group undertaking, and have not been recharged.

8. PROFIT ON SALE OF OPERATIONS

On 1 April 2016 Parker Hannifin Manufacturing (UK) Ltd sold part of its business relating to the Thetford site at market value to Parker Hannifin Manufacturing Ltd for a consideration of £948,000.

9. INCOME FROM FIXED ASSET INVESTMENTS

	30.6.16	30.6.15
	£'000	£'000
Income from fixed asset investments	<u>27</u>	<u>100</u>

10. TAXATION

Analysis of the tax charge

The tax charge on the profit on ordinary activities for the year was as follows:

	30.6.16	30.6.15
	£'000	£'000
Current tax:		
UK corporation tax	735	621
Adjustments to tax charge in respect of previous periods	(16)	71
Foreign withheld taxes	<u>-</u>	<u>10</u>
Total current tax	719	702
Deferred tax	<u>10</u>	<u>32</u>
Tax on profit on ordinary activities	<u>729</u>	<u>734</u>

**Notes to the Financial Statements - continued
for the Year Ended 30 June 2016**

10. TAXATION - continued

Reconciliation of total tax charge included in profit and loss

The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The difference is explained below:

	30.6.16	30.6.15
	£'000	£'000
Profit on ordinary activities before tax	<u>920</u>	<u>190</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 20% (2015 - 20.750%)	184	40
Effects of:		
Expenses not deductible for tax purposes	328	359
Income not taxable for tax purposes	(5)	(21)
Adjustments to tax charge in respect of previous periods	2	101
Transfer pricing adjustment - imputed interest	239	243
Enhanced research and development deductions	(21)	(1)
Foreign withholding tax	-	10
Effect of rate change	<u>2</u>	<u>3</u>
Total tax charge	<u>729</u>	<u>734</u>

Tax effects relating to effects of other comprehensive income

	Gross	30.6.15 Tax	Net
	£'000	£'000	£'000
Revaluation of investment to fair value	<u>180</u>	<u>(36)</u>	<u>144</u>

Reductions in the UK corporation tax rate from 21% to 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013, and remain at 20% (effective from 1 April 2016) as enacted on 25 March 2015. Further reductions to 19% (from 1 April 2017) and to 18% (from 1 April 2020) were substantively enacted on 18 November 2015. In the Budget on 16 March 2016, the Chancellor announced additional planned reductions to 17% (from 1 April 2020, replacing the 18% already substantively enacted from this date). This will reduce the company's future current tax charge accordingly.

The deferred tax asset at 30 June 2016 has been calculated based on the rate of 20% (at 30 June 2015: 20%), which is the substantively enacted rate at the balance sheet date which the majority of timing differences are expected to reverse.

It has not yet been possible to quantify the full anticipated effect of the announced further rate reductions, although this will further reduce the company's future current tax charge and reduce the company's deferred tax asset accordingly.

**Parker Hannifin Manufacturing
(UK) Limited (Registered number: 03503896)**

**Notes to the Financial Statements - continued
for the Year Ended 30 June 2016**

11. PENSIONS

Parker Hannifin Manufacturing Limited, a fellow group company, is the sponsoring employer to the defined benefit pension arrangement in the UK which is known as the Parker Hannifin Pension and Death Benefit Plan (the "Parker Plan"). On 30 June 2004, the Parker Plan was closed to new employees, however benefits continue to accrue for existing members. Since 1 July 2011, a number of employees who are members of the Parker Plan transferred from Parker Hannifin Manufacturing Limited to Parker Hannifin Limited. The number of employees in question represent a relatively low proportion of the total membership of the Parker Plan, once deferred members and pensioner numbers are taken into consideration. In addition, the accrued benefits of these transferring members were in respect of their employment with Parker Hannifin Manufacturing Limited.

The Company's accounting policy for this group plan is set out in Note 3. The amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contributions payable in the year. The total liability of the Parker Plan as at 30 June 2016 is £75,500,000. The relevant FRS102 defined benefit scheme accounting disclosures for the Parker Plan as whole are reported within the financial statements for Parker Hannifin Manufacturing Limited.

12. INTANGIBLE FIXED ASSETS

	Goodwill £'000
COST	
At 1 July 2015	
and 30 June 2016	<u>15,001</u>
AMORTISATION	
At 1 July 2015	13,223
Amortisation for year	<u>750</u>
At 30 June 2016	<u>13,973</u>
NET BOOK VALUE	
At 30 June 2016	<u><u>1,028</u></u>
At 30 June 2015	<u><u>1,778</u></u>

**Notes to the Financial Statements - continued
for the Year Ended 30 June 2016**

12. INTANGIBLE FIXED ASSETS - continued

At 30 June 2016, the directors considered the carrying value of goodwill as compared to the discounted future cash flows of the underlying individual business units. This led to an impairment provision of £Nil (30 June 2015: £378,000).

When preparing this comparison, the period before a steady or declining growth rate is assumed has been extended to ten years due to the highly predictable and reliable nature of the expected future cashflows and a discount rate of 10% was applied. A terminal growth rate of 0% was assumed as the cashflows are based on a Return on Capital Employed and the underlying capital base is assumed to remain constant after the terminal period.

13. TANGIBLE FIXED ASSETS

	Freehold land and buildings £'000	Plant and equipment £'000	Totals £'000
COST			
At 1 July 2015	5,193	9,145	14,338
Additions	-	670	670
Disposals	<u>(582)</u>	<u>(1,557)</u>	<u>(2,139)</u>
At 30 June 2016	<u>4,611</u>	<u>8,258</u>	<u>12,869</u>
DEPRECIATION			
At 1 July 2015	2,211	5,613	7,824
Charge for year	139	761	900
Eliminated on disposal	<u>(350)</u>	<u>(1,525)</u>	<u>(1,875)</u>
At 30 June 2016	<u>2,000</u>	<u>4,849</u>	<u>6,849</u>
NET BOOK VALUE			
At 30 June 2016	<u>2,611</u>	<u>3,409</u>	<u>6,020</u>
At 30 June 2015	<u>2,982</u>	<u>3,532</u>	<u>6,514</u>

Included in cost of land and buildings is freehold land of £700,000 (2015 - £700,000) which is not depreciated.

14. FIXED ASSET INVESTMENTS

	Other investments £'000
COST	
At 1 July 2015	6,221
Impairments	<u>(706)</u>
At 30 June 2016	<u>5,515</u>
NET BOOK VALUE	
At 30 June 2016	<u>5,515</u>
At 30 June 2015	<u>6,221</u>

**Parker Hannifin Manufacturing
(UK) Limited (Registered number: 03503896)**

**Notes to the Financial Statements - continued
for the Year Ended 30 June 2016**

14. FIXED ASSET INVESTMENTS - continued

At 30 June 2016, the company held shares in the allotted share capital of the following:

	Country of registration and operation	Percentage held	Nature of business
Kuroda Precision Industries Limited	Japan	19.8%	Manufacture and sale of industrial tools

The directors consider that although the company maintains a 19.8% interest in the share capital of Kuroda Precision Industries Limited, it does not maintain any influence over its operating and financial policies. Therefore the directors consider it appropriate to account for this holding as a trade investment. The market value of the investment is £5,515,000. (30 June 2015: £6,221,000), this led to an impairment in the year of £706,000.

15. STOCKS

	30.6.16 £'000	30.6.15 £'000
Raw materials	-	488
Finished goods	-	126
	<u>-</u>	<u>614</u>

16. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	30.6.16 £'000	30.6.15 £'000
Trade debtors	86	25
Amounts owed by group undertakings	35,797	33,623
Deferred tax asset (Note 19)	-	7
Prepayments and accrued income	20	35
	<u>35,903</u>	<u>33,690</u>

Included within amounts owed by group undertakings is a loan amounting to £9,276,000 on which interest is charged at 0.8565%. The loan is unsecured and repayable on 15 June 2017.

At 30 June 2015 the following four loans existed at various interest rates.

£5,150,846 on which interest is charged at 0.8037%.

£1,583,412 on which interest is charged at 0.8615%.

£1,546,293 on which interest is charged at 0.9071%.

£918,242 on which interest is charged at 0.8643%.

The remaining amounts owed by group undertakings are unsecured, interest free and have no fixed date of repayment.

**Parker Hannifin Manufacturing
(UK) Limited (Registered number: 03503896)**

**Notes to the Financial Statements - continued
for the Year Ended 30 June 2016**

17. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	30.6.16	30.6.15
	£'000	£'000
Trade creditors	1,130	2,099
Amounts owed to group undertakings	5,653	4,965
Tax	584	838
Accruals and deferred income	238	248
	<u>7,605</u>	<u>8,150</u>

Amounts owed to group undertakings are unsecured, interest free and have no fixed date of repayment.

18. LEASING AGREEMENTS

Minimum lease payments under non-cancellable operating leases fall due as follows:

	30.6.16	30.6.15
	£'000	£'000
Within one year	14	12
Between one and five years	88	94
	<u>102</u>	<u>106</u>

19. PROVISIONS FOR LIABILITIES

	30.6.16	
	£'000	
Deferred tax	<u>3</u>	
		Deferred tax
		£'000
Asset at 1 July 2015		(7)
Accelerated capital allowances		(10)
Adjustment to prior years		18
Effect of tax rate change		<u>2</u>
Liability at 30 June 2016		<u>3</u>

The entire deferred tax liability for the current and prior year relates to accelerated capital allowances. The amount of the deferred tax liability which will reverse in the period immediately following the reporting period is estimated at £10,000.

20. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:			30.6.16	30.6.15
Number:	Class:	Nominal value:	£'000	£'000
36,400,000	Ordinary	£1	<u>36,400</u>	<u>36,400</u>

**Notes to the Financial Statements - continued
for the Year Ended 30 June 2016**

21. RESERVES

Revaluation reserve

The reserve records the revaluation surplus on investments held.

Capital contribution reserve

This balance represents the value of assets contributed by the parent company.

22. ULTIMATE PARENT COMPANY AND CONTROLLING PARTY

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

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

23. TRANSITION TO FRS102

This is the first year that the company has presented its results under FRS 102. The last financial statements under UK GAAP were for the year ended 30 June 2015. The date of transition to FRS 102 was 1 July 2014. Set out below are the changes in accounting policies which reconcile profit for the financial year ended 30 June 2015 and the total net assets as at 1 July 2014 and 30 June 2015 between UK GAAP as previously reported and FRS 102.

**Parker Hannifin Manufacturing
(UK) Limited (Registered number: 03503896)**

**Reconciliation of Equity
1 July 2014
(Date of Transition to FRS 102)**

	Notes	UK GAAP £'000	Effect of transition to FRS 102 £'000	FRS 102 £'000
FIXED ASSETS				
Intangible assets		2,906	-	2,906
Tangible assets		6,490	-	6,490
Investments	1,2	6,444	3,698	10,142
		<u>15,840</u>	<u>3,698</u>	<u>19,538</u>
CURRENT ASSETS				
Stocks		709	-	709
Debtors	3	29,860	(15)	29,845
		<u>30,569</u>	<u>(15)</u>	<u>30,554</u>
CREDITORS				
Amounts falling due within one year		(9,026)	-	(9,026)
NET CURRENT ASSETS				
		<u>21,543</u>	<u>(15)</u>	<u>21,528</u>
TOTAL ASSETS LESS CURRENT LIABILITIES				
		<u>37,383</u>	<u>3,683</u>	<u>41,066</u>
NET ASSETS				
		<u>37,383</u>	<u>3,683</u>	<u>41,066</u>
CAPITAL AND RESERVES				
Called up share capital		36,400	-	36,400
Revaluation reserve		-	59	59
Capital contribution reserve		10,067	-	10,067
Retained earnings	1,2,3	(9,084)	3,624	(5,460)
SHAREHOLDERS' FUNDS				
		<u>37,383</u>	<u>3,683</u>	<u>41,066</u>

**Parker Hannifin Manufacturing
(UK) Limited (Registered number: 03503896)**

**Reconciliation of Equity - continued
30 June 2015**

	Notes	UK GAAP £'000	Effect of transition to FRS 102 £'000	FRS 102 £'000
FIXED ASSETS				
Intangible assets		1,778	-	1,778
Tangible assets		6,514	-	6,514
Investments	1,2	<u>5,966</u>	<u>255</u>	<u>6,221</u>
		<u>14,258</u>	<u>255</u>	<u>14,513</u>
CURRENT ASSETS				
Stocks		614	-	614
Debtors	3	<u>33,741</u>	<u>(51)</u>	<u>33,690</u>
		<u>34,355</u>	<u>(51)</u>	<u>34,304</u>
CREDITORS				
Amounts falling due within one year		<u>(8,150)</u>	<u>-</u>	<u>(8,150)</u>
NET CURRENT ASSETS		<u>26,205</u>	<u>(51)</u>	<u>26,154</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>40,463</u>	<u>204</u>	<u>40,667</u>
NET ASSETS		<u>40,463</u>	<u>204</u>	<u>40,667</u>
CAPITAL AND RESERVES				
Called up share capital		36,400	-	36,400
Revaluation reserve		-	204	204
Capital contribution reserve		10,067	-	10,067
Retained earnings	1,2,3	<u>(6,004)</u>	<u>-</u>	<u>(6,004)</u>
SHAREHOLDERS' FUNDS		<u>40,463</u>	<u>204</u>	<u>40,667</u>

Notes to the reconciliation of equity

1. Reversal of impairment of investment in Kuroda Precision Industries Limited, as carried at fair value under FRS102.
2. Revaluation of investment in Kuroda Precision Industries Limited to fair value.
3. Deferred tax on revaluation.

**Parker Hannifin Manufacturing
(UK) Limited (Registered number: 03503896)**

**Reconciliation of Profit or Loss
for the Year Ended 30 June 2015**

	Notes	UK GAAP £'000	Effect of transition to FRS 102 £'000	FRS 102 £'000
TURNOVER		19,852	-	19,852
Cost of sales		<u>(18,318)</u>	<u>-</u>	<u>(18,318)</u>
GROSS PROFIT		1,534	-	1,534
Administrative expenses		(1,129)	-	(1,129)
Other operating income	1	<u>2,147</u>	<u>(2,147)</u>	<u>-</u>
OPERATING PROFIT		2,552	(2,147)	405
Profit on sale of investment	2	1,104	(1,476)	(372)
Income from fixed asset investments		100	-	100
Interest receivable and similar income	3	<u>57</u>	<u>-</u>	<u>57</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		3,813	(3,623)	190
Tax on profit on ordinary activities	4	<u>(733)</u>	<u>(1)</u>	<u>(734)</u>
PROFIT/(LOSS) FOR THE FINANCIAL YEAR		<u>3,080</u>	<u>(3,624)</u>	<u>(544)</u>

Notes to the reconciliation of profit or loss

1. Elimination of impairment reversal, not required as all previous impairments have been reversed through FRS102 adjustments at the transition date.
2. Adjustment to profit on disposal of investments due to impairment reversal and restatement to fair value.
3. Revaluation of investment in Kuroda Precision Industries Limited to fair value at 30 June 2015.
4. Deferred tax on revaluation.