REGISTERED NUMBER: 03503896

Parker Hannifin Manufacturing (UK) Limited

Strategic Report, Report of the Directors and

Financial Statements for the Year Ended 30 June 2017

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

Contents of the Financial Statements
for the Year Ended 30 June 2017

Parker Hannifin Manufacturing (UK) Limited

Company Information for the Year Ended 30 June 2017

DIRECTORS:	G M Ellinor J A D Elsey
SECRETARY:	G M Ellinor
REGISTERED OFFICE:	Parker House 55 Maylands Avenue Hemel Hempstead Hertfordshire HP2 4SJ
REGISTERED NUMBER:	03503896
AUDITOR:	Deloitte LLP 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 2017

The directors present their strategic report for the year ended 30 June 2017.

REVIEW OF BUSINESS
The company has made a profit after tax for the year of £7,500,000 (2016: profit of £191,000).

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 £48,358,000 (2016: £40,858,000) 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.

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: 13 MARCH 2018.

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

Report of the Directors for the Year Ended 30 June 2017

The directors present their annual report and the audited financial statements of the company for the year ended 30 June 2017.

PRINCIPAL ACTIVITY

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

DIVIDENDS

The directors do not recommend the payment of a dividend for the year (30 June 2016: £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 2017 amounted to £1,380,000 (2016: £1,350,000).

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 2016 to the date of this report.

G M Ellinor
J A D Elsey

Other changes in directors holding office are as follows:

D Turnbull - resigned 1 October 2016
P R Bale - resigned 7 April 2017

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 2017

STATEMENT OF DIRECTORS' RESPONSIBILITIES
The directors are responsible for preparing the Strategic Report, 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 (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. 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 accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping 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:

GMEllinor

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G M Ellinor - Director

Date: 13 MARCH 2018

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

Report on the audit of the financial statements

Opinion

In our opinion the financial statements:
- give a true and fair view of the state of the company's affairs as at 30 June 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Parker Hannifin Manufacturing (UK) Limited (the 'company') which comprise:
- the Income Statement;
- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 22.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs(UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:
- the directors' use of the going concern basis of accounting in 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.

We have nothing to report in respect of these matters.

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 respect of these matters.

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

Responsibilities of directors
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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Use of our report
This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:
- the information given in the strategic report and the directors report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

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 any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception
Under the Companies Act 2006 we are required to report in respect of the following matters 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.

We have nothing to report in respect of these matters.

Craig Wisdom ACA (Senior statutory auditor)
for and on behalf of Deloitte LLP
Statutory Auditor

Date: 16 March 2018

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

Income Statement
for the Year Ended 30 June 2017

	Notes	30.6.17 £'000	30.6.16 £'000
TURNOVER	5	**20,075**	20,165
Cost of sales		**(19,171)**	(18,951)
GROSS PROFIT		**904**	1,214
Administrative expenses		**21**	(786)
OPERATING PROFIT	8	**925**	428
Profit on sale of operations	9	**-**	1,093
Reversal of impairment/ (impairment) of investment	9	**597**	(705)
Profit on sale of investment	9	**1,342**	-
		2,864	816
Income from fixed asset investments	10	**38**	27
Interest receivable and similar income		**79**	77
		2,981	920
Gain on revaluation of investments		**6,325**	-
PROFIT BEFORE TAXATION		**9,306**	920
Tax on profit	11	**(1,806)**	(729)
PROFIT FOR THE FINANCIAL YEAR		**7,500**	191

The notes on pages 11 to 21 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 2017

	Notes	30.6.17 £'000	30.6.16 £'000
PROFIT FOR THE YEAR		7,500	191
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		7,500	191

The notes on pages 11 to 21 form part of these financial statements

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

Balance Sheet
30 June 2017

	Notes	30.6.17 £'000	30.6.16 £'000
FIXED ASSETS			
Intangible assets	13	**278**	1,028
Tangible assets	14	**5,754**	6,020
Investments	15	**11,628**	5,515
		17,660	12,563
CURRENT ASSETS			
Debtors	16	**40,722**	35,903
CREDITORS			
Amounts falling due within one year	17	**(8,771)**	(7,605)
NET CURRENT ASSETS		**31,951**	28,298
TOTAL ASSETS LESS CURRENT LIABILITIES		**49,611**	40,861
PROVISIONS FOR LIABILITIES	19	**(1,253)**	(3)
NET ASSETS		**48,358**	40,858
CAPITAL AND RESERVES			
Called up share capital	20	**36,400**	36,400
Revaluation reserve	21	**5,280**	204
Capital contribution reserve	21	**10,067**	10,067
Profit and loss account	21	**(3,389)**	(5,813)
SHAREHOLDERS' FUNDS		**48,358**	40,858

The financial statements were approved and authorised for issue by the Board of Directors on 13 MARCH 2018 and were signed on its behalf by:

G M Ellinor - Director

The notes on pages 11 to 21 form part of these financial statements

**Statement of Changes in Equity
for the Year Ended 30 June 2017**

	Called up share capital £'000	Profit and loss account £'000	Revaluation reserve £'000	Capital contribution reserve £'000	Total equity £'000
Balance at 1 July 2015	36,400	(6,004)	204	10,067	40,667
Changes in equity					
Total comprehensive income	-	191	-	-	191
Balance at 30 June 2016	36,400	(5,813)	204	10,067	40,858
Changes in equity					
Total comprehensive income	-	7,500	-	-	7,500
Transfer to revaluation reserve	-	(5,076)	5,076	-	-
Balance at 30 June 2017	36,400	(3,389)	5,280	10,067	48,358

The notes on pages 11 to 21 form part of these financial statements

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.

2. STATUTORY INFORMATION

Parker Hannifin Manufacturing (UK) Limited is a private company, limited by shares, incorporated in the United Kingdom and registered in England and Wales. The company's registered number and registered office address can be found on the company information page.

3. 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.

4. 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 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 11.41(b), 11.41(c), 11.41(e), 11.41(f), 11.42, 11.44, 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirement of Section 33 Related Party Disclosures paragraph 33.7.

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 estimates have had the most significant effect on amounts recognised in the financial statements due the quantitative materiality of the items involved:

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

4. **ACCOUNTING POLICIES - continued**

Turnover
Turnover, which excludes value added tax, comprises manufacturer fees invoiced to Parker Hannifin EMEA 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.

Intangible assets
Intangible assets are initially measured at cost. After initial recognition, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

4. ACCOUNTING POLICIES - continued

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.

Taxation
Taxation 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 in other comprehensive income or directly in equity.

Current or deferred taxation assets and liabilities are not discounted.

Current tax is recognised at the amount of tax payable using the tax rates and laws that that have been enacted or substantively enacted by the balance sheet date.

Deferred tax
Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

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 measured using tax rates and laws that have been enacted or substantively enacted by the year end and that are expected to apply to the reversal of the timing difference.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

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.

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.

4. **ACCOUNTING POLICIES - continued**

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.

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

Operating leases
Annual rentals in relation to operating leases are charged to the income statement on a straight-line basis over the lease term

Going concern
The company has net assets of £48,358,000 (2016: £40,858,000) and net current assets of £31,951,000 (2016: £28,298,000). After taxation, the company made a profit for the year of £7,500,000 (2016: Profit of £191,000) 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.

5. 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 EMEA Sarl, a fellow group company based in Switzerland. A geographical analysis of turnover is therefore not required.

6. EMPLOYEES AND DIRECTORS

	30.6.17	30.6.16
	£'000	£'000
Wages and salaries	6,240	7,412
Social security costs	738	703
Other pension costs	959	1,102
	7,937	9,217

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

	30.6.17	30.6.16
Production	107	101
Administration	76	96
	183	197

Included within staff costs are termination payments of £31,000 (2016: 717,000).

7. DIRECTORS' EMOLUMENTS

	30.6.17	30.6.16
	£	£
Directors' remuneration	-	209,014
Directors' pension contributions to money purchase schemes	-	14,862

No directors was remunerated for services to the company in the year to 30 June 2017.

Shares were received or receivable by three directors (30 June 2016: four), including the highest paid director.

Two directors (30 June 2016: two), exercised options during the year.

8. OPERATING PROFIT

The operating profit is stated after charging:

	30.6.17	30.6.16
	£'000	£'000
Depreciation - owned assets	874	900
Loss on disposal of fixed assets	4	7
Goodwill amortisation	750	750
Research and development costs	1,380	1,350
Hire of plant and machinery	141	195
Loss on exchange	3	6

8. **OPERATING PROFIT - continued**

Audit fees for the auditing of the financial statements amounting to £34,455 (30 June 2016: £34,455) were borne by Parker Hannifin Manufacturing Limited, a fellow group undertaking, and have not been recharged.

9. **OTHER GAINS AND LOSSES**

	30.6.17	30.6.16
	£'000	£'000
Profit on sale of operations	**-**	1,093
Reversal of impairment/ (impairment) of investment	**597**	(705)
Profit on sale of investment	**1,342**	-
	1,939	388

In April 2017 Parker Hannifin Manufacturing (UK) Ltd sold 857,000 shares which equated to 3% of their equity interest in Kuroda Precision Industries Ltd for the consideration of £2,151,796.

At the year end the Company revalued its investment in Kuroda Precision Industries Ltd, which lead to a reversal of a prior year impairment charge.

10. **INCOME FROM FIXED ASSET INVESTMENTS**

	30.6.17	30.6.16
	£'000	£'000
Income from fixed asset investments	**38**	27

11. **TAXATION**

Analysis of the tax charge
The tax charge on the profit for the year was as follows:

	30.6.17	30.6.16
	£'000	£'000
Current tax:		
UK corporation tax	**748**	735
Adjustments to tax charge in respect of previous periods	**(192)**	(16)
Total current tax	**556**	719
Deferred tax	**1,250**	10
Tax on profit	**1,806**	729

11. TAXATION - continued

Reconciliation of total tax charge included in profit and loss
The tax assessed for the year is lower than the standard rate of corporation tax in the UK. The difference is explained below:

	30.6.17	30.6.16
	£'000	£'000
Profit before tax	9,307	920
Profit multiplied by the standard rate of corporation tax in the UK of 19.750% (2016 - 20%)	1,838	184
Effects of:		
Expenses not deductible for tax purposes	174	328
Income not taxable for tax purposes	(265)	(5)
Adjustments to tax charge in respect of previous periods	(176)	2
Transfer pricing adjustment - imputed interest	254	239
Enhanced research and development deductions	(19)	(21)
Effect of rate change	-	2
Total tax charge	1,806	729

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 2017 has been calculated based on the rate of 19% (at 30 June 2016: 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.

12. 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 4. 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 2017 is £66,500,000. 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.

13. INTANGIBLE FIXED ASSETS

	Goodwill £'000
COST	
At 1 July 2016	
and 30 June 2017	**15,001**
AMORTISATION	
At 1 July 2016	**13,973**
Amortisation for year	**750**
At 30 June 2017	**14,723**
NET BOOK VALUE	
At 30 June 2017	**278**
At 30 June 2016	1,028

At 30 June 2017, 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 2016: £Nil).

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.

14. TANGIBLE FIXED ASSETS

	Freehold land and buildings £'000	Plant and equipment £'000	Totals £'000
COST			
At 1 July 2016	**4,611**	**8,258**	**12,869**
Additions	**-**	**601**	**601**
Disposals	**(30)**	**(90)**	**(120)**
Reclassification/transfer	**-**	**17**	**17**
At 30 June 2017	**4,581**	**8,786**	**13,367**
DEPRECIATION			
At 1 July 2016	**2,000**	**4,849**	**6,849**
Charge for year	**125**	**749**	**874**
Eliminated on disposal	**(30)**	**(90)**	**(120)**
Reclassification/transfer	**-**	**10**	**10**
At 30 June 2017	**2,095**	**5,518**	**7,613**
NET BOOK VALUE			
At 30 June 2017	**2,486**	**3,268**	**5,754**
At 30 June 2016	2,611	3,409	6,020

Included in cost of land and buildings is freehold land of £700,000 (2016 - £700,000) which is not depreciated.

15. FIXED ASSET INVESTMENTS

	Other investments £'000
COST OR VALUATION	
At 1 July 2016	6,221
Disposals	(957)
Revaluations	6,364
At 30 June 2017	11,628
PROVISIONS	
At 1 July 2016	706
Eliminated on disposal	(109)
Reversal of impairments	(597)
At 30 June 2017	-
NET BOOK VALUE	
At 30 June 2017	11,628
At 30 June 2016	5,515

Cost or valuation at 30 June 2017 is represented by:

	Other investments £'000
Valuation in 2017	11,628

At 30 June 2017, 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	16.8%	Manufacture and sale of industrial tools

During the year Parker Hannifin Manufacturing (UK) Ltd sold 857,000 shares which equated to 15% of their equity interest in Kuroda Precision Industries Ltd for the consideration of £2,151,796. The directors consider that the company 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 £11,628,000. (30 June 2016: £5,515,000), this led to a revaluation surplus in the year of £6,961,000 of which £706,000 was used to reverse the previous year impairment.

The presentation of brought forward information has been restated to more clearly show the cost/valuation and accumulated impairment movement.

16. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	30.6.17	30.6.16
	£'000	£'000
Trade debtors	**16**	86
Amounts owed by group undertakings	**40,672**	35,797
Prepayments and accrued income	**34**	20
	40,722	35,903

Included within the amounts owed by group undertakings is a loan amounting to £11,506,000 (2016: £9,276,000) on which interest is charged at 0.5085% (0.8565%). The loan is unsecured and repayable on 15 June 2018.

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

17. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	30.6.17	30.6.16
	£'000	£'000
Trade creditors	**2,022**	1,130
Amounts owed to group undertakings	**5,653**	5,653
Tax	**1,140**	584
Accruals and deferred income	**(44)**	238
	8,771	7,605

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:

	30.6.17	30.6.16
	£'000	£'000
Within one year	**30**	73
Between one and five years	**13**	73
	43	146

19. PROVISIONS FOR LIABILITIES

	30.6.17	30.6.16
	£'000	£'000
Deferred tax	**1,253**	3

19. PROVISIONS FOR LIABILITIES - continued

	Deferred tax £'000
Balance at 1 July 2016	3
Accelerated capital allowances	(12)
Adjustment to prior years	13
Effect of tax rate change	
Revaluation	1,249
Balance at 30 June 2017	1,253

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:

Number:	Class:	Nominal value:	**30.6.17 £'000**	30.6.16 £'000
36,400,000	Ordinary	£1	**36,400**	36,400

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.