

Fluidpower MIP Limited (formerly Flowtech MIP Limited)

Annual Report and Financial Statements

Registered number 09026474

31 December 2016

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Fluidpower MIP Limited (formerly Flowtech MIP Limited)

Company Information

Directors	Sean Fennon Bryce Brooks
Registered number	09026474
Registered office	Pimbo Road Skelmersdale Lancashire WN8 9RB
Independent auditor	Grant Thornton UK LLP Chartered Accountants and Statutory Auditors 4 Hardman Square Spinningfields Manchester M3 3EB

Contents

Strategic Report	1
Directors' Report	1
Statement of Directors' responsibilities	2
Independent Auditor's Report to the members of Fluidpower MIP Limited (formerly Flowtech MIP Limited)	3
Income Statement	5
Statement of Financial Position	6
Statement of Changes in Equity	7
Notes to the Financial Statements	8

Strategic Report

Introduction

The Directors present their Strategic Report of Fluidpower MIP Limited (formerly Flowtech MIP Limited) (the "Company") for the year ended 31 December 2016. The Company's principal activity is to act as holding company for a group of companies in the fluid power supply chain. The Company changed its name on 19 May 2016.

Business review

The profit for the year after taxation amounted to £6,093,916 (2015: £5,387,756).

Directors' Report

The Directors present the audited Financial Statements of Fluidpower MIP Limited (formerly Flowtech MIP Limited) (the "Company") for the year ended 31 December 2016.

Directors

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

Sean Fennon
Bryce Brooks

Dividends

Dividends paid during the year were £5,000,000 (2015: £4,150,083), the Directors do not recommend a final dividend. Dividends received during the year were £6,373,515 (2015: £5,560,000).

Financial instruments

The Company finances its activities with inter group loans as disclosed in note 11. Other financial assets and liabilities, such as trade debtors and other creditors, arise directly from the Company's operating activities.

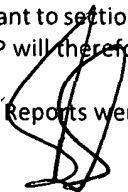
Disclosure of information to the auditor

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.

These Reports were approved by the Board and signed on its behalf.



Bryce Brooks
Director
26 April 2017

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 year. 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;
- 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 MIP Limited (formerly Flowtech MIP Limited)

We have audited the financial statements of Fluidpower MIP Limited for the year ended 31 December 2016 which comprise the Income Statement, the Statement of Financial Position, the Statement of Changes in Equity and the related notes. 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 FRS 101 "Reduced Disclosure Framework".

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.

Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' Responsibilities, set out on page 2, 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

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

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 31 December 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 matters prescribed by the Companies Act 2006

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

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

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

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report and Directors' Report.

Independent Auditor's Report to the members of Fluidpower MIP Limited (formerly Flowtech MIP Limited) continued

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.



Stuart Muskett
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Manchester

26 April 2017

Income Statement

for the year ended 31 December 2016

	Note	2016 £	2015 £
Administrative expenses		(203,831)	(155,410)
Operating loss	3	(203,831)	(155,410)
Interest receivable and similar income	5	6,373,515	5,560,000
Interest payable and similar cost	6	(75,768)	(16,834)
Profit on ordinary activities before taxation		6,093,916	5,387,756
Tax expense	7	-	-
Profit for the financial year		6,093,916	5,387,756

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

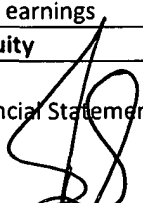
All operating profits are derived from continuing operations.

Statement of Financial Position

at 31 December 2016

	Note	2016	2015
			£
Fixed assets			
Investments	9	38,054,644	128,737,472
Total fixed assets		38,054,644	128,737,472
Current assets			
Trade and other debtors		97,680,901	50,000
Total current assets		97,680,901	50,000
Creditors: amounts falling due within one year			
Trade and other creditors	11	103,350,777	95,446,590
Deferred and contingent consideration	12	-	1,250,153
Total creditors: amounts falling due within one year		103,350,777	96,696,743
Net current liabilities		(5,669,876)	(96,646,743)
Total assets less current liabilities		32,384,768	32,090,729
Creditors: amounts falling due after one year			
Contingent consideration	12	-	898,033
Total creditors: amounts falling due after one year		-	898,033
Net assets		32,384,768	31,192,696
Capital and reserves			
Share capital	15	597	600
Share premium account		56,869,015	56,869,015
Unrealised loss reserve		(29,042,987)	(29,042,987)
Capital contribution		2,085,858	2,085,858
Share-based payment reserve		187,209	89,050
Retained earnings		2,285,076	1,191,160
Total equity		32,384,768	31,192,696

The Financial Statements on pages 5 to 17 were approved by the Directors on 26 April 2017 and were signed by:


Bryce Brooks
Director

Fluidpower MIP Limited
Pimbo Road
Skelmersdale
Lancashire
WN8 9RB

Statement of Changes in Equity

for the year ended 31 December 2016

	Share capital	Share premium	Unrealised loss reserve	Capital contribution	Share- based payment reserve	Retained earnings	Total Equity
	£	£	£	£	£	£	£
Balance at 1 January 2015	600	56,869,015	(29,042,987)	2,085,858	-	(46,513)	29,865,973
Profit for the year	-	-	-	-	-	5,387,756	5,387,756
Total comprehensive income for the year	-	-	-	-	-	5,387,756	5,387,756
Transactions with owners							
Share-based payment charge	-	-	-	-	89,050	-	89,050
Equity dividends paid (note 8)	-	-	-	-	-	(4,150,083)	(4,150,083)
Total transactions with owners	-	-	-	-	89,050	(4,150,083)	(4,061,035)
Balance at 1 January 2016	600	56,869,015	(29,042,987)	2,085,858	89,050	1,191,160	31,192,696
Profit for the year	-	-	-	-	-	6,093,916	6,093,916
Total comprehensive income for the year	-	-	-	-	-	6,093,916	6,093,916
Transactions with owners							
Share-based payment charge	-	-	-	-	98,159	-	98,159
Issue of share capital	30	-	-	-	-	-	30
Cancellation of shares	(33)	-	-	-	-	-	(33)
Equity dividends paid (note 8)	-	-	-	-	-	(5,000,000)	(5,000,000)
Total transactions with owners	(3)	-	-	-	98,159	(5,000,000)	(4,901,844)
Balance at 31 December 2016	597	56,869,015	(29,042,987)	2,085,858	187,209	2,285,076	32,384,768

Notes to the Financial Statements

for the year ended 31 December 2016

1 Authorisation of Financial Statements and Statement of Compliance with FRS 101

The Financial Statements of Fluidpower MIP Limited (formerly Flowtech MIP Limited) (the "Company") for the year ended 31 December 2016 were authorised for issue by the Board of Directors on 26 April 2017 and the Statement of Financial Position was signed on the Board's behalf by Bryce Brooks. Fluidpower MIP Limited is incorporated and domiciled in England and Wales. The Company changed its name on 19 May 2016.

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 Flowtech Fluidpower plc.

The consolidated financial statements of Flowtech Fluidpower plc 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 2016.

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 2015

2 Accounting policies (continued)

2.2 Going concern

The Financial Statements have been prepared on the going concern basis which the Directors believe to be appropriate for the following reasons. The Company is dependent for its working capital on funds generated by other group companies. The Company's ultimate parent Flowtech Fluidpower plc, has provided the Company with an undertaking that for at least 12 months from the date of approval of these Financial Statements, it will continue to make available such funds and guarantees as are needed by the Company. This should enable the Company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment. As with any company placing reliance on other group entities for financial support, the Directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these Financial Statements, they have no reason to believe that it will not do so.

Based on this undertaking, the Directors believe that it remains appropriate to prepare the Financial Statements on a going concern basis. The Financial Statements do not include any adjustments that would result from the basis of preparation being inappropriate.

2.3 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 turnover 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.

Impairment review of carrying value of investments

The carrying value of investments must be assessed for impairment annually. This requires an estimation of the value in use of the trading subsidiaries and the recoverability of debt from non-trading group undertakings. Value in use is dependent on estimations of future cash flows from the trading subsidiaries and the use of an appropriate discount rate to discount those cash flows to their present value. No impairment charge was required during the year.

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 24 of the consolidated financial statements of Flowtech Fluidpower plc.

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 turnover not be fully recoverable.

Notes to the Financial Statements

for the period ended 31 December 2015

2 Accounting policies (continued)

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 turnover not be fully recoverable.

2.5 Taxation

Tax on the profit or loss for the period 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 period, 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.

2.6 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 shares net of expenses of the share issue, less any costs associated with the issuing of shares
- "Unrealised loss reserve" represents the reserve created by the unpaid element of a novated shareholder loan, it is not distributable
- "Capital contribution" represents the reserve arising on the issue of shares in the direct parent, issued in partial consideration for acquisitions made by the Company
- "Share-based payment reserve" represents the provision made to date for share based payments as detailed in note 13.1
- "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.

Notes to the Financial Statements

for the period ended 31 December 2015

3 Operating loss

Audit fees are borne by another group undertaking.

4 Staff costs and Directors' remuneration

The Company has no employees other than the Directors whose remuneration is borne by another group undertaking in the current reporting year.

The Directors and certain other Group employees have received share options granted by the Management Incentive Plan further details of which are disclosed in note 13.1 and also the consolidated financial statements of the ultimate parent company Flowtech Fluidpower plc.

In total £98,159 (2015: £89,050) of employee remuneration expenses all of which related to equity-settled share-based payment transactions has been included in the Income Statement.

5 Interest receivable and similar income

	2016 £	2015 £
Interest receivable and similar income		
Dividends received from group undertakings	6,373,515	5,560,000
Total interest receivable and similar income	6,373,515	5,560,000

6 Interest payable and similar cost

	2016 £	2015 £
Interest payable and similar cost		
Imputed interest on deferred and contingent consideration	75,768	16,834
Total interest payable and similar cost	75,768	16,834

7 Taxation

a) Tax charged in the income statement

	2016 £	2015 £
Total tax expense	-	-

Notes to the Financial Statements

for the year ended 31 December 2015

7 Taxation (continued)

b) Reconciliation of the total tax charge

The tax assessed in the income statement for the year differs from than the standard rate of corporation tax in the UK of 20.00% (2015: 20.25%). The differences are reconciled below:

	2016 £	2015 £
Profit before taxation	6,093,916	5,387,756
Tax calculated at the UK standard rate of corporation tax of 20.00% (2015: 20.25%)	1,218,783	1,091,021
Deferred tax movements not recognised	18,651	16,919
Amounts not taxable	(1,274,704)	(1,125,900)
Amounts not deductible	37,270	11,394
Impact of change in tax rate	-	1,113
Group relief	-	5,453
Total tax expense in the income statement	-	-

c) Change in corporation tax rate

A reduction in the UK corporation tax rate from 21% to 20% (effective from 1 April 2015) was substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional 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 2016 have been calculated based on these rates.

d) Deferred taxation

A deferred tax asset of £35,570 (2015: £16,919) in respect of cumulative share-based payments of £187,209 (2015: £89,050) has not been recognised due to uncertainty surrounding the availability of future profits, against which these payments can be utilised.

8 Dividends paid and proposed

	2016 £	2015 £
Declared and paid during the year		
Equity dividends of £84 (2015: £83) per Ordinary share	5,000,000	4,150,083
Total dividends paid	5,000,000	4,150,083

No dividends are proposed at the end of the year.

Notes to the Financial Statements

for the year ended 31 December 2015

9 Fixed asset investments

	Investments in subsidiary undertakings £
Cost and net book value at 1 January 2016	128,737,472
Acquisitions (note 14)	2,747,495
Disposals	(93,430,323)
Cost and net book value at 31 December 2016	38,054,644

Details of subsidiary undertakings

	Principal activity	Holding	Country of incorporation
Flowtechnology Asia Limited	Holding company	100%	UK
Fluidpower Shared Services Limited (formerly Flowtech Holdings Limited)	Holding company	100%	UK
PMC Fluidpower Limited (formerly Primary Fluid Holdings Limited)	Distributors of engineering components	100%	UK
Fluidpower Group Limited	Holding company	100%	UK
Process Fluidpower Limited	Holding company	100%	UK
Onsite Fluidpower Limited	Holding company	100%	UK

For all the subsidiaries above the class of shares held are ordinary shares and all subsidiaries are direct subsidiaries of the Company.

On 18 March 2016 the Company acquired 100% of the ordinary shares in Hydravalue Limited, see note 14.

On 16 May 2016 the Company acquired 100% of the ordinary shares in Fluidpower Group Limited and Process Fluidpower Limited, both newly incorporated companies.

On 19 May 2016 the Company acquired 100% of the ordinary shares in Onsite Fluidpower Limited a newly incorporated company.

As part of a group reorganisation the Company sold its holdings to other group subsidiaries at net book value as follows:

- On 9 September 2016 the entire share capital of Fluidpower Limited (formerly Flowtech Limited) and Flowtech Europe Limited to Fluidpower Group Limited
- On 19 September 2016 the entire share capital of Hydravalue Limited to Process Fluidpower Limited

The following subsidiaries were dissolved on 30 September 2016; Albroco Limited and Nelson Fluid Power Limited.

10 Trade and other debtors

	2016 £	2015 £
Current:		
Prepayments and accrued income	50,000	50,000
Amounts owed by other group undertakings	97,630,901	-
Total trade and other debtors	97,680,901	50,000

Notes to the Financial Statements

for the year ended 31 December 2015

11 Trade and other creditors

	2016 £	2015 £
Current:		
Accruals and deferred income	303	-
Amounts owed to other group undertakings	103,350,474	95,446,590
Total trade and other creditors	103,350,777	95,446,590

12 Deferred and contingent consideration

	2016 £	2015 £
Non-current liabilities:		
Contingent consideration	-	898,033
Total non-current liabilities	-	898,033
Current liabilities:		
Deferred consideration	-	-
Contingent consideration	-	1,250,153
Total current liabilities	-	1,250,153
Total deferred and contingent consideration	-	2,148,186

Contingent consideration relating to the prior year acquisitions of Albroco Limited and Nelson Fluid Power Limited has been transferred to a fellow group undertaking, Fluidpower PMC Limited, following a group reorganisation.

13 Employee benefits

13.1 Share-based employee remuneration

As at 31 December 2016, the Company maintained a share-based payment schemes for employee remuneration, the Management Incentive Plan.

The Management Incentive Plan is part of the remuneration package of the Company's senior management. Shares held under this plan may be sold if certain conditions, as defined in the Articles of Association of Flowtech MIP Limited are met. It is based on the growth of the immediate parent Flowtech Fluidpower plc's share value within a specified holding period. In addition, participants in this scheme have to be employed until the end of the agreed holding period. At the end of the holding period the holder may sell their shares to the Company for either cash or shares at a value determined by the growth of Flowtech Fluidpower plc's share value within the specified holding period.

The number of shares issued under this scheme are:

	2016 £	2015 £
500 "A" ordinary shares of 1 pence each	5	7
6,200 "B" ordinary shares of 1 pence each	62	93
3,000 "C" ordinary shares of 1 pence each	30	-
10 "D" ordinary shares of 1 pence each	-	-
	97	100

All shares were issued on admission to AIM at a cost of 1 pence per share on 21 May 2014. The market value on issue was £9,300.

C and D shares were issued at a cost of 1 pence per share on 1 June 2016. The market value on issue of the C and D shares was £400 per share.

Notes to the Financial Statements

for the year ended 31 December 2015

13.1 Share-based employee remuneration (continued)

Further details of the scheme are disclosed in the consolidated financial statements of the ultimate parent company Flowtech Fluidpower plc.

In total £98,159 (2015: £89,050) of employee remuneration expenses all of which related to equity-settled share-based payment transactions have been included in the Income Statement.

14 Acquisitions and disposals

14.1 Acquisition of Hydravalve Limited

On 18 March 2016, the Company acquired 100% of the share capital of Hydravalve Limited, a UK based company, thereby obtaining control. The acquisition was made to enhance the Group's position in the UK valve market.

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

	Book value £	Fair value adjustment £	Provisional fair value £
Fixed assets	228,528	38,918	267,446
Stocks	1,634,653	(163,465)	1,471,188
Trade and other debtors	941,721	(18,834)	922,887
Cash and cash equivalents	(311,944)	-	(311,944)
Trade and other creditors	(605,003)	-	(605,003)
Finance leases	(70,962)	(47,920)	(118,882)
Current tax balances	(216,054)	-	(216,054)
Deferred tax liability	(41,223)	-	(41,223)
Provisions	-	(72,000)	(72,000)
Total net assets	1,559,716	(263,301)	1,296,415

	£
Fair value of consideration paid	
Amount settled in cash	2,105,000
Fair value of contingent consideration	622,185
Stamp duty	20,010
Total consideration	2,747,195

Consideration transferred

Hydravalve Limited was acquired on 18 March 2016 for a total consideration of £2,747,195 comprising £2,105,000 in cash, £20,010 in Stamp duty and £622,185 contingent cash consideration. The contingent consideration is due to be paid on 18 April 2017 and 18 April 2018 and is contingent on the achievement of profit targets for the Company's customer base. The maximum consideration payable is £2,000,000. The fair value of £622,185 has been estimated by management using a discount rate of 10.9% being the weighted average cost of capital of Hydravalve Limited and sales forecasts prepared by management at the time of acquisition; these have been reviewed for performance up to the reporting date.

On 19 September 2016 the investment in Hydravalve Limited was sold to the Company's direct subsidiary, Process Fluidpower Limited during a group restructuring.

Notes to the Financial Statements

for the year ended 31 December 2015

15 Authorised, issued and called up share capital

	2016	2015
		£
Authorised, allotted, called up and fully paid		
50,001 Ordinary shares of 1 pence each	500	500
500 "A" ordinary shares of 1 pence each	5	7
6,200 "B" ordinary shares of 1 pence each	62	93
3,000 "C" ordinary shares of 1 pence each	30	-
10 "D" ordinary shares of 1 pence each	-	-
Total allotted, called up and fully paid	597	600

	Number	£
Authorised, allotted, issued and fully paid ordinary shares of 1 pence each		
At 1 January 2016	60,001	600
Issue of 3,000 "C" shares of 1 pence each	3,000	30
Issue of 10 "D" shares of 1 pence each	10	-
Cancellation of 200 "A" shares of 1 pence each	(200)	(2)
Cancellation of 3,100 "B" shares of 1 pence each	(3,100)	(31)
At 31 December 2016	59,711	597

During the year 200 "A" shares and 3,100 "B" shares were cancelled and 3,000 "C" shares and 10 "D" shares were issued. These transactions were related to changes to the Management Incentive Plan.

Ordinary shares are not redeemable, have full voting rights, a right to full participation in dividends and the balance of any capital distribution subsequent to the distribution of capital to "A" Ordinary shareholders.

"A" Ordinary shares are not redeemable, have a right to a pro-rata capital distribution in respect of 10% of the excess in capital value over £52,000,000.

"B" Ordinary shares are not redeemable, have full voting rights, a right to a dividend of 2% above base rate and a capital distribution equal to the nominal value.

"C" Ordinary shares are not redeemable, have no voting rights, have a right to a pro-rata capital distribution in respect of 1.74% of the excess in capital value over £65,067,696 and no entitlement to dividends.

"D" Ordinary shares are not redeemable, have no voting rights, have a right to a pro-rata capital distribution in respect of 2.93% of the excess in capital value over £65,067,696 and no entitlement to dividends.

16 Capital commitments

The Company had no capital commitments at 31 December 2016 or 31 December 2015.

17 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 £16,857,143 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.

Notes to the Financial Statements

for the year ended 31 December 2015

18 Subsequent events

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

19 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.

20 Ultimate group undertaking

The Company is a subsidiary undertaking of Flowtech Fluidpower plc which is the ultimate parent company and is 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.