

Hydravalve (UK) Limited

Annual Report and Financial Statements

Registered number 02213870

31 December 2016

THURSDAY



A6FXQJXE

A38

28/09/2017

#341

COMPANIES HOUSE

Hydravalve (UK) Limited

Company Information

Directors	Sean Fennon (appointed 18 March 2016) Bryce Brooks (appointed 18 March 2016) Edward Newham (resigned 18 March 2016) Andrew R Newham (resigned 18 March 2016) Marie Shaw (resigned 18 March 2016) Andrew R Newham
Registered number	02213870
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	2
Statement of Directors' responsibilities	4
Independent Auditors' Report to the members of Hydravalve (UK) Limited	5
Income Statement	7
Statement of Financial Position	8
Statement of Changes in Equity	9
Notes to the Financial Statements	10

Strategic Report

Introduction

The Directors' present their Strategic Report of Hydravalve (UK) Limited (the "Company") for the eighteen month period ended 31 December 2016. The Company's principal activity is the distribution of valves and other industrial equipment, principally within the UK. There have not been any significant changes in the Company's principal activities in the period under review.

Business review

As shown in the Company's Income Statement on page 7, the Company's sales increased by 46% from the previous year to £5.9m principally through the extension of the accounting period, however organic growth has also contributed. Gross profit margin was 40% (2015: 37%) and profit was £0.37m (2015: £0.48m), the profits reflecting £0.41m of provisions made in the year for dilapidations, bad debts and slow moving stock. The Directors believe this represents a very satisfactory performance given the challenging trading conditions experienced during the period, and the outlook for 2017 and beyond remains very good.

The Statement of Financial Position on page 8 shows the net assets of the company have increased by £0.4m.

During the period the Company transitioned from UK GAAP to FRS 101 "Reduced Disclosure Framework" and has taken advantage of the disclosure exemptions allowed under this standard. There were no material recognition or measurement differences arising on the adoption of FRS 101.

During the period the reporting date was extended by six months from the 30 June to the 31 December. All references to the current period are for the 18 month period from 1 July 2015 to 31 December 2016.

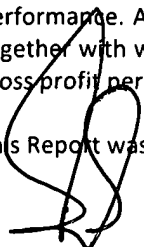
Principal risks and uncertainties

The Company operates in a highly competitive market place with an emphasis on maintaining exacting quality standards and achieving timely delivery schedules. The Company has managed this risk by working only with ISO accredited suppliers and making its own deliveries to minimise delays. The Company has diversified its customers so it not reliant on any one industrial sector or geographical market.

Key performance indicators

The Company's management uses a number of key measures to monitor and manage the performance of the business. The performance of individual customers and individual products is reviewed daily in terms of turnover and profitability, with particular focus on service and the comparison of actual performance with prior period and target performance. At the company level the key performance indicators are sales, gross margin, EBITA, cash generation together with working capital measures against stock and debtors. Of key focus is the daily gross profit; the average gross profit per day achieved was £6,311 compared to prior period £6,041.

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



Bryce Brooks
Director
26 April 2017

Directors' Report

The Directors present the audited Financial Statements of Hydravalve (UK) Limited (the "Company") for the eighteen month period ended 31 December 2016.

Directors

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

Sean Fennon (appointed 18 March 2016)
Bryce Brooks (appointed 18 March 2016)
Edward Newham (resigned 18 March 2016)
Andrew R Newham (resigned 18 March 2016)
Marie Shaw (resigned 18 March 2016)
Andrew R Newham

Dividends

Dividends of £119,039 (2015: £272,947) were paid during the period. The Directors do not recommend a final dividend.

Financial instruments

The Company finances its activities with a combination of invoice discounting, inter group loans, cash and short term deposits, as disclosed in note 17. Other financial assets and liabilities, such as trade debtors and trade creditors, arise directly from the Company's operating activities. The Company also enters into derivative transactions, including forward currency contracts. The purpose is to manage the currency risks arising from the Company's transactions in foreign currencies and the Group's foreign operations.

Environment

The Company recognises the importance of its environmental responsibilities. Initiatives designed to minimise the Company's impact on the environment include the recycling of waste where practical.

Employees

Details of the number of employees and related costs can be found in note 5 to the Financial Statements. The Company is committed to providing staff and management with training designed to develop attitudes and skills and give opportunities for advancement. The Company promotes good communication with regular management meetings and staff briefings. It is the policy of the Company that no employee, or potential employee, is not discriminated against on the grounds of disability, age, race, religion, sex, sexual orientation or political belief and to offer the same employment opportunities, training, career development and promotion prospects to all.

Going concern

The Company has considerable financial resources together with long established relationships with a number of customers and suppliers across different geographic areas and industries. As a consequence, the Directors believe that the Company is well placed to manage its business risks successfully. The Directors have carefully considered the group banking facilities in light of the current and future cash flow forecasts and they believe that the Company able to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment. After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Financial Statements.

Directors' Report *(Continued)*

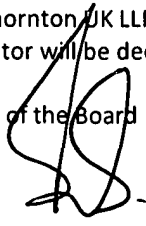
Disclosure of information to the Auditor

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

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

By order of the Board

A handwritten signature in black ink, appearing to be 'Bryce Brooks', written over the text 'By order of the Board'.

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 period. Under that law they have elected to prepare the Financial Statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws including FRS 101 "Reduced disclosure framework").

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

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- 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 Auditors' Report to the members of Hydravalve (UK) Limited

We have audited the financial statements of Hydravalve (UK) Limited for the period 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 Directors' Responsibilities Statement on page 4, 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.

Basis for disclaimer of opinion on the income statement

The audit evidence available to us was limited because Hydravalve (UK) Limited is a small company requiring an audit for the first time as the company is now a subsidiary of a group that requires an audit under section 477 of the Companies Act 2006. The comparative information for the year ended 30 June 2015 and the opening balances as at 1 July 2015 are therefore unaudited. As a result of this, and owing to the nature of the company's accounting records, we have been unable to obtain sufficient appropriate audit evidence concerning opening balances and comparative information. Since opening balances enter into the determination of the financial performance, we were unable to determine whether adjustments might have been necessary in respect of the profit for the period reported in the income statement.

Disclaimer of opinion on the income statement

Because of the significance of the matter described in the Basis for Disclaimer of Opinion on the income statement paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly we do not express an opinion on the comparative financial information for the year ended 30 June 2015 and are unable to confirm that the opening balances do not contain misstatements that materially affect the company income statement for the period ended 31 December 2016.

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 period 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.

Independent Auditors' Report to the members of Hydravalve (UK) Limited (continued)

Opinion on other matters prescribed by the Companies Act 2006

Notwithstanding our disclaimer of an opinion on the income statement, 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 period 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.

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.

Other matters

Under the Companies Act 2006, the company was exempt from audit for the year ended 30 June 2015. This exemption is no longer available as the company is now a subsidiary of a group that requires an audit under section 477 of the Companies Act 2006. As a consequence, the financial statements of the company for the year ended 30 June 2015, which form the basis for the corresponding figures presented in the current period's financial statements, were unaudited.



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 eighteen month period ended 31 December 2016

	Note	18 month period ended 31 December 2016 £	12 month period ended 30 June 2015 £
Turnover	3	5,955,289	4,087,176
Cost of sales		(3,756,029)	(2,585,807)
Gross profit		2,199,260	1,501,369
Distribution costs		(51,755)	(29,664)
Administrative expenses		(1,604,462)	(830,826)
Operating profit	4	543,043	640,879
Interest receivable and similar income	6	6	5
Interest payable and similar cost	7	(33,906)	(29,243)
Profit on ordinary activities before taxation		509,143	611,641
Tax expense	8	(139,192)	(128,204)
Profit for the financial period		369,951	483,437

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


All turnover and operating profits are derived from continuing operations.

Statement of Financial Position

at 31 December 2016

	Note	2016 £	2015 £
Fixed assets			
Tangible assets	10	258,899	226,383
Total fixed assets		258,899	226,383
Current assets			
Stocks	11	1,270,825	1,140,000
Trade and other debtors	12	775,905	947,992
Cash and cash equivalents	13	299,368	111,882
Total current assets		2,346,098	2,199,874
Creditors: amounts falling due within one year			
Interest-bearing loans and borrowings	14	25,612	336,350
Trade and other creditors	15	795,055	707,184
Tax payable		146,794	99,413
Total creditors: amounts falling due within one year		967,461	1,142,947
Net current assets		1,378,637	1,056,927
Total assets less current liabilities		1,637,536	1,283,310
Creditors: amounts falling due after one year			
Interest-bearing loans and borrowings	14	71,214	32,302
Provisions for liabilities	16	72,000	-
Deferred tax liabilities	8	21,193	28,791
Total creditors: amounts falling due after one year		164,407	61,093
Net assets		1,473,129	1,222,217
Capital and reserves			
Called up share capital	18	998	998
Retained earnings		1,472,131	1,221,219
Total equity		1,473,129	1,222,217

The Financial Statements on pages 7 to 25 were approved by the Directors on 26 April 2017 and were signed by:


Bryce Brooks
Director

Hydravalve (UK) Limited
Pimbo Road
Skelmersdale
Lancashire
WN8 9RB

Statement of Changes in Equity

for the 18 month period ended 31 December 2016

	Share capital £	Retained earnings £	Total equity £
Balance at 1 July 2014	998	1,010,729	1,010,727
Profit for the year	-	483,437	483,437
Total comprehensive income for the year	-	483,437	483,437
Transactions with owners			
Equity dividends paid (note 9)	-	(272,947)	(272,947)
Total transactions with owners	-	(272,947)	(272,947)
Balance at 30 June 2015	998	1,221,219	1,222,217
Profit for the period	-	369,951	369,951
Total comprehensive income for the period	-	369,951	369,951
Transactions with owners			
Equity dividends paid (note 9)	-	(119,039)	(119,039)
Total transactions with owners	-	(119,039)	(119,039)
Balance at 31 December 2016	998	1,472,131	1,473,129

Notes to the Financial Statements

for the eighteen month period ended 31 December 2016

1 Authorisation of Financial Statements and statement of compliance with FRS 101

The Financial Statements of Hydravalve (UK) Limited (the "Company") for the eighteen month period 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. Hydravalve (UK) Limited is incorporated and domiciled in England and Wales.

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

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

The 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 Company transitioned to FRS 101 for the eighteen month period ended 31 December 2016, no restatement of comparative year amounts was required. There were no material amendments on the adoption of FRS 101. The accounting policies which follow set out those policies which apply in preparing the Financial Statements for the eighteen month period ended 31 December 2016.

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

- (a) 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";
- (b) the requirements of paragraphs 10(d), 10(f), 39(c) and 134-136 of IAS 1 "Presentation of Financial Statements" and the requirements of IAS 7 "Statement of Cash Flows";
- (c) the requirements of paragraphs 30 and 31 of IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors";
- (d) the requirements of paragraph 17 of IAS 24 "Related Party Disclosures";
- (e) 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 period ended 31 December 2016

2 Accounting policies (continued)

2.2 Changes in accounting policy and disclosures

There is no impact resulting from the adoption of FRS 101.

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 may have a significant effect on the amounts recognised in the Financial Statements. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The following judgements have the most significant effect on the Financial Statements.

Provision for impairment of stock

The carrying value of stocks as at 31 December 2016 is £1,270,825 (2015: £1,140,000) and included a provision against the stocks of £324,465 (2015: £nil). The provision of £324,465 was made in 2016 (2015: £nil). During the period £nil (2015: £nil) of the provision was utilised following the scrapping and sale of obsolete stock. The provision for impairment of stocks is based on the age of the stock and management's estimation of recoverability. There is a risk that the provision will not match the stocks that ultimately prove to be impaired.

2.4 Financial instruments

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

Trade and other debtors

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

Trade and other creditors

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

Cash and cash equivalents

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

Interest-bearing borrowings

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

Notes to the financial statements

for the period ended 31 December 2016

2 Accounting policies (continued)

Derecognition of financial liabilities

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

2.5 Tangible fixed assets and depreciation

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

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

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

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

Leasehold improvements	10 years straight line
Plant, machinery and equipment	5 - 20 years straight line
Fixtures and fittings	5 years straight line
Motor vehicles	4 - 5 years reducing balance

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

2.6 Finance leases

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

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

2.7 Operating lease payments

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

Notes to the financial statements

for the period ended 31 December 2016

2 Accounting policies (continued)

2.8 Stocks

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

2.9 Employee benefits - defined contribution plans

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

2.10 Turnover

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

2.11 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.

Notes to the financial statements

for the period ended 31 December 2016

2 Accounting policies (continued)

2.12 Provisions

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

2.13 Foreign currency translation

Functional and presentation currency

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

Foreign currency transactions and balances

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

Currency risks

The main currency related risk to the Company comes from forward purchasing of stock and settling transactions in foreign currencies. The Company does not enter into forward currency contracts.

2.14 Equity, reserves and dividend payments

Equity comprises the following:

- "Share capital" represents the nominal value of equity shares
- "Retained earnings" represent retained earnings of the Company

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

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

3 Turnover

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

	2016 £	2015 £
United Kingdom	5,902,128	4,016,339
Europe	28,898	63,137
Rest of World	24,263	7,700
Total turnover	5,955,289	4,087,176

Notes to the financial statements

for the period ended 31 December 2016

4 Operating profit

This is stated after charging/(crediting):

	2016 £	2015 £
Gain on foreign currency transactions	(74,204)	(85,988)
Impairment loss on inventory	163,465	-
Depreciation of owned tangible fixed assets	56,464	52,502
Depreciation of leased tangible fixed assets	18,150	10,094
Loss on sale of tangible fixed assets	-	5,330
Operating lease rentals		
- Land and buildings	42,778	27,500
- Other	56,912	19,665
Repairs and maintenance expenditure on tangible fixed assets	17,862	11,877

Auditor's remuneration

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

5 Staff costs and Directors' remuneration

	2016 £	2015 £
Staff costs		
Wages and salaries	804,750	419,128
Social security costs	89,919	45,919
Contributions to defined contribution pension plans	65,502	43,097
Total staff costs	960,171	508,144

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

	2016 Number	2015 Number
Distribution	4	3
Administration	13	14
Total number	17	17

	2016 £	2015 £
Directors' remuneration		
Remuneration	126,530	115,704
Contributions to defined contribution pension plans	23,130	30,840
Benefits in kind	34,216	29,411
Total Directors' remuneration	183,876	175,955

During the period four Directors (2015: four) participated in defined contribution schemes.

Notes to the financial statements

for the period ended 31 December 2016

5 Staff costs and Directors' remuneration (continued)

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

	2016 £	2015 £
Highest paid Director's remuneration		
Remuneration	54,508	51,010
Contributions to defined contribution pension plans	9,000	12,000
Benefits in kind	7,537	2,108
Total highest paid Director's remuneration	71,045	65,118

6 Interest receivable and similar income

	2016 £	2015 £
Interest receivable and similar income		
Interest income from cash and cash equivalents	6	5
Total interest receivable and similar income	6	5

7 Interest payable and similar cost

	2016 £	2015 £
Interest payable and similar cost		
Invoice discounting facility	25,299	28,434
Overdraft interest	20	-
Finance charges payable in respect of finance leases	8,587	809
Total interest payable and similar cost	33,906	29,243

8 Taxation

a) Tax charged in the income statement

	2016 £	2015 £
Current tax		
UK corporation tax payable	146,790	99,413
Total current tax	146,790	99,413
Deferred tax		
Origination and reversal of temporary differences	(7,311)	28,791
Change in tax rate	(287)	-
Total deferred tax	(7,598)	28,791
Total tax expense	139,192	128,204

Notes to the financial statements

for the period ended 31 December 2016

8 Taxation (continued)

b) Reconciliation of the total tax charge

The tax assessed in the income statement for the period differs from 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	670,143	611,641
Tax calculated at the UK standard rate of corporation tax of 20.00% (2015: 20.25%)	134,029	126,916
Impact of change in tax rate	(541)	1,959
Impact of marginal relief	-	(1,898)
Amounts not deductible	5,704	1,228
Total tax expense in the income statement	139,192	128,204

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 tax

	Assets		Liabilities	
	2016	2015	2016	2015
	£	£	£	£
Tangible fixed assets	-	-	21,193	28,791
Tax liabilities	-	-	21,193	28,791
Net deferred tax liability			21,193	28,791

Movement in deferred tax during the period ended 31 December 2016

	1 July 2015 £	Recognised in income £	31 December 2016 £
Tangible fixed assets	28,791	(7,598)	21,193
	28,791	(7,598)	21,193

Notes to the financial statements

for the period ended 31 December 2016

8 Taxation (continued)

Movement in deferred tax during the year ended 30 June 2015

	1 July 2014	Recognised in income	30 June 2015
	£	£	£
Tangible fixed assets	-	28,791	28,791
	-	28,791	28,791

9 Dividends paid and proposed

	2016 £	2015 £
Declared and paid during the period		
Equity dividends of £119 per ordinary share (2015: £273)	119,039	272,947
Total dividends paid	119,039	272,947

No dividends are proposed at the end of the period.

10 Tangible fixed assets

	Leasehold Improvements £	Plant, machinery & equipment £	Fixtures & Fittings £	Motor Vehicles £	Total £
Cost					
At 1 July 2015	73,196	200,308	58,591	16,600	348,695
Additions	-	91,931	15,199	-	107,130
At 31 December 2016	73,196	292,239	73,790	16,600	455,825
Depreciation					
At 1 July 2015	16,503	68,131	33,528	4,150	122,312
Charge for period	11,159	47,131	11,655	4,669	74,614
At 31 December 2016	27,662	115,262	45,183	8,819	196,926
Net book value					
At 31 December 2016	45,534	176,977	28,607	7,781	258,899
At 30 June 2015	56,693	132,177	25,063	12,450	226,383

The net book value of machinery held under finance leases and hire purchase contracts at 31 December 2016 was £100,025 (2015: £39,112). Leased assets and assets under hire purchase contracts are pledged as security for the related finance leases and hire purchase liabilities.

Notes to the financial statements

for the period ended 31 December 2016

11 Stocks

	2016 £	2015 £
Finished goods and goods for resale	1,270,825	1,140,000

Changes in finished goods recognised as cost of sales in the period amounted to £3,393,822 (2015: £2,665,953). The write down or reversal of stocks to net realisable value amounted to a write down of £324,465 (2015: write down of £nil). The write-downs and reversals are included in cost of sales. The provision made against stock at the reporting date was £324,465 (2015: £nil).

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

12 Trade and other debtors

	2016 £	2015 £
Current:		
Trade debtors	769,926	908,872
Other debtors	-	20
Prepayments and accrued income	4,945	17,478
Directors' loan accounts	-	21,622
Amounts owed by group undertakings	1,034	-
Total trade and other debtors	775,905	947,992

13 Cash and cash equivalents

	2016 £	2015 £
Cash and cash equivalents:		
Sterling	283,378	110,893
Euro	12,015	989
Dollar	3,975	-
Total cash and cash equivalents	299,368	111,882

Notes to the financial statements

for the period ended 31 December 2016

14 Interest bearing loans and borrowings

This note provides information about the contractual terms of the Company's interest-bearing loans and borrowings, which are measured at amortised cost. For more information about the Company's exposure to interest rate and foreign currency risk, see note 17.

	2016 £	2015 £
Non-current liabilities:		-
Finance lease liabilities	71,214	6,250
Total non-current liabilities	71,214	6,250
Current liabilities:		
Invoice discounting facility	-	330,100
Finance lease liabilities	25,612	32,302
Total current liabilities	71,214	362,402
Total interest bearing loans and borrowings	96,826	368,652

The finance lease liabilities are secured on the related assets.

Terms and debt repayment schedule

	Currency	Nominal interest rate	Year of maturity	Carrying value 2016 £	Carrying value 2015 £
Invoice discounting facility	GBP	2.5%	2016	-	330,100
Finance lease liabilities	GBP	Various 8.0% to 13.7%	2017	96,826	38,552

Finance lease liabilities

	Minimum lease payments 2016 £	Interest 2016 £	Principal 2016 £	Minimum lease payments 2015 £	Interest 2015 £	Principal 2015 £
Less than one year	33,436	7,824	25,612	10,520	2,487	8,033
Between one and five years	92,952	21,738	71,214	40,055	9,536	30,519
Total	126,388	29,562	96,826	50,575	12,023	38,552

15 Trade and other creditors

	2016 £	2015 £
Current:		
Trade creditors	142,386	451,909
Social security and other taxes	160,630	186,187
Directors' loan accounts	-	59,827
Other creditors	16,466	1,755
Accruals and deferred income	116,114	7,506
Amounts owed to other group undertakings	359,458	-
Total trade and other creditors	795,054	707,184

Notes to the financial statements

for the period ended 31 December 2016

16 Provisions for liabilities

	Provisions for dilapidations £	Total £
Non-current:		
Balance at 1 July 2015	-	-
Provisions made during the year	72,000	72,000
Balance at 31 December 2016	72,000	72,000

The dilapidation provision is held in respect of leasehold properties held by the Company and represents management's best estimate of the amount which is expected to be settled in respect of dilapidation costs for the relevant sites. This is expected to be utilised in more than 5 years.

17 Financial instruments

17.1 Interest rate risk

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

	2016 £	2015 £
Fixed rate instruments		
Financial liabilities	96,826	38,552
Variable rate instruments		
Financial liabilities (carrying value)	-	330,100

Fixed rate instruments relate to an invoice discounting facility which was repaid during the year.

Variable rate instruments relate to finance leases, the repayment schedule is generally over a fixed term of six years with equal monthly repayments.

17.2 Foreign currency risk

The main currency related risk to the Company comes from forward purchasing of stocks and the settling of transactions in foreign currency. The Company does not enter into forward currency contracts.

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

	Sterling £	Euro £	US Dollar £	Total £
31 December 2016				
Cash and cash equivalents	283,378	12,015	3,975	299,368
Trade and other debtors	769,926	-	-	769,926
Finance lease liabilities	(96,826)	-	-	(96,826)
Trade creditors	(64,720)	(77,666)	-	(142,386)
Net exposure	891,758	(65,651)	3,975	830,082

Notes to the financial statements

for the period ended 31 December 2016

17 Financial instruments (continued)

	Sterling £	Euro £	US Dollar £	Total £
30 June 2015				
Cash and cash equivalents	110,893	989	-	111,882
Trade and other debtors	908,872	-	-	908,872
Invoice discounting facility	(330,100)	-	-	(330,100)
Finance lease liabilities	(38,552)	-	-	(38,552)
Trade creditors	(203,359)	(248,550)	-	(451,909)
Net exposure	447,754	(247,561)	-	200,193

17.3 Credit risk

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

All trade debt related to the UK in both the current and prior reporting periods.

Credit quality of financial assets and impairment losses

The aging of trade debtors at the reporting date was:

	Gross 2016 £	Impairment 2016 £	Gross 2015 £	Impairment 2015 £
Not past due	777,676	21,229	904,455	-
Past due 0 – 30 days	12,950	354	4,417	-
More than 30 days	6,334	5,451	-	-
Total	796,960	27,034	908,872	-

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

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

	2016 £	2015 £
Balance at 1 October	-	-
Provision utilised	-	-
Increase in provision	27,034	-
Balance at 31 December	27,034	-

Notes to the financial statements

for the period ended 31 December 2016

17 Financial instruments (continued)

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

17.4 Liquidity risk

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

The following are the contractual maturities of financial liabilities:

	Carrying amount £	1 year or less £	1 to 2 years £	2 to 5 years £
Period ended 31 December 2016				
Non-derivative financial liabilities:				
Finance lease liabilities	96,826	25,612	25,612	45,602
Trade and other creditors	142,386	142,386	-	-
Total	239,212	167,998	25,612	45,602

	Carrying amount £	1 year or less £	1 to 2 years £	2 to 5 years £
Year ended 30 June 2015				
Non-derivative financial liabilities:				
Finance lease liabilities	38,552	8,033	8,033	22,486
Invoice discounting facility	330,100	330,100	-	-
Trade and other creditors	451,909	451,909	-	-
Total	820,561	790,042	8,033	22,846

There are no contractual maturities over five years.

18 Authorised, issued and called up share capital

	2016 £	2015 £
Authorised, allotted, called up and fully paid		
Ordinary shares of £1 each	998	998
Total authorised, allotted, called up and fully paid	998	998

19 Employee benefits

19.1 Pension plans

The Company operates a defined contribution plan and a money purchase scheme. The total expense relating to this plan in each period was £65,502 (2015: £43,097).

Notes to the Financial Statements

for the period ended 31 December 2016

20 Operating lease commitments

Non-cancellable operating leases rentals are payable as follows:

	2016 £	2015 £
In one year or less	51,412	7,675
Between one and five years	136,745	37,613
More than five years	119,167	-
Total	307,324	45,288

The Company acts as a lessee for land and buildings, office equipment and motor vehicles, under operating leases. The Company's significant lease arrangements are for properties, for which there are no significant lease incentives. As at 31 December 2016, the property lease period is ten years.

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

	Land and buildings		Other	
	2016 £	2015 £	2016 £	2015 £
In one year or less	27,500	-	23,912	7,675
Between one and five years	110,000	-	26,745	37,613
More than five years	119,167	-	-	-
Total	256,667	-	50,657	45,288

During the year £99,690 was recognised as an expense in the Income Statement in respect of operating leases (2015: £47,165).

21 Capital commitments

The Company had no capital commitments at 31 December 2016 or 30 June 2015.

22 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.

23 Subsequent events

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

Notes to the Financial Statements

for the period ended 31 December 2016

24 Related party transactions

During the period the Company entered into transactions, in the ordinary course of business, with related parties. For those transactions which were with 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.

During the period the Company paid rent of £41,250 (2015: £27,500) to the Hydravalve SIPP, a pension fund under the trusteeship of some of the Directors, for the ultimate benefit of these Directors.

Directors balances with the Company at the start and end of the period were as follows:

	Owed to the related party		Owed by the related party	
	2016	2015	2016	2015
	£	£	£	£
A R Newham	-	59,795	-	-
A R Newham	-	-	-	19,869
E A Newham	-	-	-	1,753
M L Shaw	-	31	-	-
Total	-	59,826	-	21,722

All amounts were settled during the period.

Dividends paid to Directors were as follows:

	2016	2015
	£	£
A R Newham	29,820	68,374
A R Newham	9,900	22,700
E A Newham	9,900	22,700
M L Shaw	9,900	22,700
Mrs E G Newham (spouse of a director)	29,819	68,373
Mr W Shaw (spouse of a director)	9,900	22,700
Mrs K Newham (spouse of a director)	9,900	22,700
Mrs L Newham (spouse of a director)	9,900	22,700
Total	119,039	272,947

25 Ultimate group undertaking

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

The consolidated accounts of this company are available to the public and may be obtained from Pimbo Road, Skelmersdale, Lancashire, England, WN8 9RB.