

Process Fluidpower Limited (Formerly Hydravalve (UK) Limited)

Annual Report and Financial Statements

Registered number 02213870

31 December 2017

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Process Fluidpower Limited

Company Information

Directors

Sean Fennon
Bryce Brooks
Andrew 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

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Strategic Report

Introduction

The Directors' present their Strategic Report of Process Fluidpower Limited (formerly Hydravalve (UK) Limited, the "Company") for the year ended 31 December 2017. The Company's principal activity is the distribution of valves, pipework 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 8, the Company's sales for the year were £5.1m, compared to £5.9m in the previous 18 month period. Sales of £0.7m were contributed from the trade of the Orange County Limited which was transferred into the Company on 30 September 2017. Gross profit margin was 40% (2016: 40%) and profit was £0.34m (2016: £0.37m). The Directors believe this represents a very satisfactory performance given the challenging trading conditions experienced during the period, and the outlook for 2018 and beyond remains very good.

The Statement of Financial Position on page 8 shows the net assets of the company have increased by £0.12m.

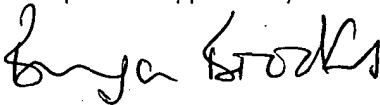
Principal risks and uncertainties

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, EBITDA, 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 £7,557 compared to prior period £6,311.

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



Bryce Brooks

Director

24 September 2018

Directors' Report

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

Directors

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

Sean Fennon
Bryce Brooks
Andrew Newham

Dividends

Dividends of £300,000 (2016: £119,039) 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 19. 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. The Directors have also received assurance that the group's ultimate parent company, Flowtech Fluidpower plc, will continue to support the company as required for the foreseeable future.

After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Financial Statements.

Directors' Report *(Continued)*

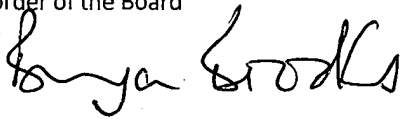
Disclosure of information to the Auditor

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



Bryce Brooks
Director

24 September 2018

Statement of Directors' responsibilities

The Directors are responsible for preparing the Strategic Report, Directors' Report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Financial Statements for each financial 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 Process Fluidpower Limited

Opinion

We have audited the financial statements of Process Fluidpower Limited (the 'company') for the year ended 31 December 2017 which comprise the Income Statement, the Statement of Financial Position, the Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Who we are reporting to

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report has been prepared in accordance with applicable legal requirements.

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

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors for the financial statements

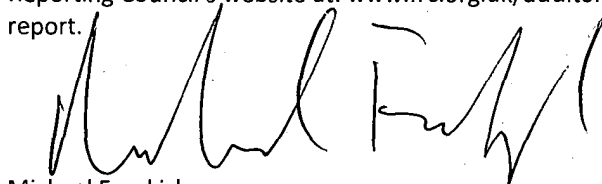
As explained more fully in the directors' responsibilities statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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



Michael Frankish

Senior Statutory Auditor

for and on behalf of Grant Thornton UK LLP

Statutory Auditor, Chartered Accountants

Manchester

24 September 2018

Income Statement

for the year ended 31 December 2017

	Note	Year ended 31 December 2017 £	18 month period 31 December 2016 £
Turnover	3	5,076,280	5,955,289
Cost of sales		(3,132,852)	(3,756,029)
Gross profit		1,943,428	2,199,260
Distribution costs		(111,441)	(51,755)
Administrative expenses		(1,412,191)	(1,604,462)
Operating profit	4	419,796	543,043
Interest receivable and similar income	6	-	6
Interest payable and similar cost	7	(19,210)	(33,906)
Profit on ordinary activities before taxation		400,586	509,143
Tax expense	8	(54,650)	(139,192)
Profit for the financial period		345,936	369,951

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.

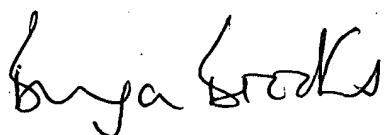
All turnover and operating profits are derived from continuing operations.

Statement of Financial Position

at 31 December 2017

	Note	2017 £	2016 £
Fixed assets			
Investments	10	6,068,200	-
Tangible assets	11	341,046	258,899
Total fixed assets		6,409,246	258,899
Current assets			
Stocks	12	1,818,441	1,270,825
Trade and other debtors	13	3,340,256	775,905
Cash and cash equivalents	14	958,773	299,368
Total current assets		6,117,470	2,346,098
Creditors: amounts falling due within one year			
Interest-bearing loans and borrowings	15	25,612	25,612
Trade and other creditors	16	7,649,647	795,055
Deferred and contingent consideration	17	1,399,200	-
Tax payable		384,680	146,794
Total creditors: amounts falling due within one year		9,459,139	967,461
Net current assets		(3,341,669)	1,378,637
Total assets less current liabilities		3,067,577	1,637,536
Creditors: amounts falling due after one year			
Interest-bearing loans and borrowings	15	45,603	71,214
Deferred and contingent consideration	17	1,424,000	-
Provisions for liabilities	18	72,000	72,000
Deferred tax liabilities	8	6,909	21,193
Total creditors: amounts falling due after one year		1,548,512	164,407
Net assets		1,519,065	1,473,129
Capital and reserves			
Called up share capital	21	998	998
Retained earnings		1,518,067	1,472,131
Total equity		1,519,065	1,473,129

The Financial Statements on pages 8 to 28 were approved by the Directors on 24 September 2018 and were signed by:



Bryce Brooks
Director

Process Fluidpower Limited
Pimbo Road
Skelmersdale
Lancashire
WN8 9RB

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

	Share capital £	Retained earnings £	Total equity £
Balance at 1 July 2015	998	1,221,219	1,222,217
Profit for the period	-	369,951	369,951
Total comprehensive income for the year	-	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
Profit for the period	-	345,936	345,936
Total comprehensive income for the period	-	345,936	345,936
Transactions with owners			
Equity dividends paid (note 9)	-	(300,000)	(300,000)
Total transactions with owners	-	(300,000)	(300,000)
Balance at 31 December 2017	998	1,518,067	1,519,065

Notes to the Financial Statements

for the year ended 31 December 2017

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

The Financial Statements of Process Fluidpower Limited (the "Company") for year ended 31 December 2017 were authorised for issue by the Board of Directors on 24 September 2018 and the Statement of Financial Position was signed on the Board's behalf by Bryce Brooks. Process Fluidpower Limited is incorporated and domiciled in England and Wales.

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

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

The Company has taken advantage of the exemption under s400 of the Companies Act 2006 not to prepare group accounts as it is a wholly owned subsidiary of Process Fluidpower Group Limited.

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

The principal accounting policies adopted by the Company are set out in note 2.

2 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's Financial Statements.

2.1 Basis of preparation

The 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 year ended 31 December 2017

2 Accounting policies (continued)

2.2 Significant judgements, key assumptions and estimates

In the process of applying the Company's accounting policies, which are described above, management has made judgements and estimations about the future that may have a significant effect on the amounts recognised in the Financial Statements. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

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

Provision for impairment of stock

The carrying value of stocks as at 31 December 2017 is £1,818,441 (2016: £1,270,825) and included a provision against the stocks of £390,201 (2016: £324,465). A further provision of £65,736 was made in 2017 (2016: £324,465). During the period £nil (2016: £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.

2.3 Financial instruments

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

Trade and other debtors

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

Trade and other creditors

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

Cash and cash equivalents

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

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 year ended 31 December 2017

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.

2.4 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.

2.5 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.

2.6 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 year ended 31 December 2017

2 Accounting policies (continued)

2.7 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.

2.8 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.

2.9 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.

Revenues from site installation projects under stage payment are recognised based upon the stage of completion of the related contracts.

2.10 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 year ended 31 December 2017

2 Accounting policies (continued)

2.11 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.

2.12 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.

2.13 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.

	2017 £	2016 £
United Kingdom	5,012,070	5,902,128
Europe	36,261	28,898
Rest of World	27,949	24,263
Total turnover	5,076,280	5,955,289

Notes to the financial statements*for the year ended 31 December 2017***4 Operating profit**

This is stated after charging/(crediting):

	2017	2016
	£	£
Gain on reversal of trade debtor impairments	(15,079)	-
Gain on foreign currency transactions	(1,790)	(74,204)
Impairment loss on inventory	65,736	163,465
Depreciation of owned tangible fixed assets	21,488	56,464
Depreciation of leased tangible fixed assets	3,804	18,150
Operating lease rentals		
- Land and buildings	36,753	42,778
- Other	13,922	56,912
Repairs and maintenance expenditure on tangible fixed assets	2,083	17,862

Auditor's remuneration

Audit fees are borne by another group undertaking

5 Staff costs and Directors' remuneration

	2017	2016
	£	£
Staff costs		
Wages and salaries	952,052	804,750
Social security costs	107,801	89,919
Contributions to defined contribution pension plans	47,227	65,502
Total staff costs	1,107,080	960,171

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

	2017	2016
	Number	Number
Distribution	4	4
Administration	18	13
Total number	22	17

	2017	2016
	£	£
Directors' remuneration		
Remuneration	50,000	126,530
Contributions to defined contribution pension plans	7,072	23,130
Benefits in kind	4,525	34,216
Total Directors' remuneration	54,525	183,876

During the period one Director (2016: four) participated in defined contribution schemes.

Notes to the financial statements

for the year ended 31 December 2017

5 Staff costs and Directors' remuneration (continued)

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

	2017 £	2016 £
Highest paid Director's remuneration		
Remuneration	50,000	54,508
Contributions to defined contribution pension plans	7,072	9,000
Benefits in kind	4,525	7,537
Total highest paid Director's remuneration	54,525	71,045

6 Interest receivable and similar income

	2017 £	2016 £
Interest receivable and similar income		
Interest income from cash and cash equivalents	-	6
Total interest receivable and similar income	-	6

7 Interest payable and similar cost

	2017 £	2016 £
Interest payable and similar cost		
Invoice discounting facility	377	25,299
Imputed interest on contingent consideration	11,000	-
Overdraft interest	6	20
Finance charges payable in respect of finance leases	7,827	8,587
Total interest payable and similar cost	19,210	33,906

8 Taxation

a) Tax charged in the income statement

	2017 £	2016 £
Current tax		
UK corporation tax payable	91,469	146,790
Adjustment in respect of prior year	(15,347)	-
Total current tax	76,122	146,790
Deferred tax		
Origination and reversal of temporary differences	3,775	(7,311)
Adjustment in respect of prior year	(25,247)	-
Change in tax rate	-	(287)
Total deferred tax	(21,472)	(7,598)
Total tax expense	54,650	139,192

Notes to the financial statements

for the year ended 31 December 2017

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

	2017 £	2016 £
Profit before taxation	400,586	509,143
Tax calculated at the UK standard rate of corporation tax of 19.25% (2016: 20.00%)	77,113	101,827
Impact of change in tax rate	(499)	(541)
Adjustment in respect of prior year	(40,595)	-
Impact of marginal relief	-	-
Amounts not deductible	18,631	36,824
Total tax expense in the income statement	54,650	139,192

c) Change in corporation tax rate

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

d) Deferred tax

	Assets		Liabilities	
	2017	2016	2017	2016
	£	£	£	£
Tangible fixed assets	-	-	6,909	21,193
Tax liabilities	-	-	6,909	21,193
Net deferred tax liability		-	6,909	21,193

Movement in deferred tax during the year ended 31 December 2017

	1 January 2017 £	Liability acquired in year	Recognised in income £	31 December 2017 £
Tangible fixed assets	21,193	(7,188)	(21,472)	6,909
	21,193	(7,188)	(21,472)	6,909

Notes to the financial statements

for the year ended 31 December 2017

8 Taxation (continued)

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

9 Dividends paid and proposed

	2017 £	2016 £
Declared and paid during the period		
Equity dividends of £300 per ordinary share (2016: £119)	300,000	119,039
Total dividends paid	300,000	119,039

No dividends are proposed at the end of the period.

10 Fixed asset investments

	Investments in subsidiary undertakings £
Cost and net book value at 1 January 2017	-
Acquisitions	6,068,200
Cost and net book value at 31 December 2017	6,068,200

On 7 July 2017 the Company acquired 100% of the share capital of Orange County Limited, a UK-based company.

Details of subsidiary undertakings

	Principal activity	Holding	Country of incorporation
Orange County Limited	Assembly and distribution of engineering components	100%	UK

For the subsidiary above the class of shares held are ordinary shares and the entity is a direct subsidiary of the Company.

The registered office of the subsidiary entity is Pimbo Road, Skelmersdale, Lancashire, England, WN8 9RB.

Notes to the financial statements

for the year ended 31 December 2017

11 Tangible fixed assets

	Leasehold Improvements £	Plant, machinery & equipment £	Fixtures & Fittings £	Motor Vehicles £	Total £
Cost					
At 1 January 2016	73,196	292,239	73,790	16,600	455,825
Additions	-	9,900	69,446	-	79,346
Acquisitions through business combinations	-	929	688	26,476	28,093
At 31 December 2017	73,196	303,068	143,924	43,076	563,264
Depreciation					
At 1 January 2016	27,662	115,262	45,183	8,819	196,926
Charge for period	8,348	11,815	2,550	2,579	25,292
At 31 December 2017	36,010	127,077	47,733	11,398	222,218
Net book value					
At 31 December 2017	37,186	175,991	96,191	31,678	341,046
At 31 December 2016	45,534	176,977	28,607	7,781	258,899

The net book value of machinery held under finance leases and hire purchase contracts at 31 December 2017 was £57,041 (2016: £100,025). Leased assets and assets under hire purchase contracts are pledged as security for the related finance leases and hire purchase liabilities.

12 Stocks

	2017 £	2016 £
Finished goods and goods for resale	1,818,441	1,270,825

Changes in finished goods recognised as cost of sales in the period amounted to £2,887,277 (2016: £3,393,822). The write down or reversal of stocks to net realisable value amounted to a write down of £65,736 (2016: £324,465). The write-downs and reversals are included in cost of sales. The provision made against stock at the reporting date was £390,201 (2016: £324,465).

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.

13 Trade and other debtors

	2017 £	2016 £
Current:		
Trade debtors	1,363,430	769,926
Other debtors	228,898	-
Prepayments and accrued income	20,930	4,945
Amounts owed by group undertakings	1,726,998	1,034
Total trade and other debtors	3,340,256	775,905

Notes to the financial statements

for the year ended 31 December 2017

14 Cash and cash equivalents

	2017 £	2016 £
Cash and cash equivalents:		
Sterling	882,343	283,378
Euro	4,481	12,015
Dollar	71,949	3,975
Total cash and cash equivalents	958,773	299,368

15 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.

	2017 £	2016 £
Non-current liabilities:		
Finance lease liabilities	45,602	71,214
Total non-current liabilities	45,602	71,214
Current liabilities:		
Finance lease liabilities	25,612	25,612
Total current liabilities	25,612	25,612
Total interest bearing loans and borrowings	71,214	96,826

The finance lease liabilities are secured on the related assets.

Terms and debt repayment schedule

	Currency	Nominal interest rate	Year of maturity	Carrying value 2017 £	Carrying value 2016 £
Finance lease liabilities	GBP	Various 8.0% to 13.7%	2017	71,214	96,826

Finance lease liabilities

	Minimum lease payments 2017 £	Interest 2017 £	Principal 2017 £	Minimum lease payments 2016 £	Interest 2016 £	Principal 2016 £
Less than one year	33,439	7,827	25,612	33,436	7,824	25,612
Between one and five years	51,865	6,263	45,602	92,952	21,738	71,214
Total	85,304	14,090	71,214	126,388	29,562	96,826

Notes to the financial statements

for the year ended 31 December 2017

16 Trade and other creditors

	2017 £	2016 £
Current:		
Trade creditors	320,811	142,386
Social security and other taxes	277,873	160,630
Other creditors	1,276	16,466
Accruals and deferred income	79,045	116,114
Amounts owed to other group undertakings	6,970,642	359,458
Total trade and other creditors	7,649,647	795,054

17 Deferred and Contingent consideration

	2017 £	2016 £
Current liabilities:		
Contingent consideration	1,399,200	-
Total current liabilities	1,399,200	-
Non-current liabilities		
Contingent consideration	1,424,000	-
Total non-current liabilities	1,424,000	-
Total deferred and contingent consideration	2,823,200	-

Contingent consideration of £2,823,200 relates to amounts due to the former shareholders of Orange County Limited and is payable in four instalments over the next two years. The consideration is based on profit targets for Orange County's customer base. The fair value of £2,823,200 has been calculated using management forecasts of Orange County's performance discounted at the weighted average cost of capital.

18 Provisions for liabilities

	Provisions for dilapidations £	Total £
Non-current:		
Balance at 1 January 2016	72,000	72,000
Provisions made during the year	-	-
Balance at 31 December 2017	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.

Notes to the financial statements

for the year ended 31 December 2017

19 Financial instruments

19.1 Interest rate risk

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

	2017 £	2016 £
Fixed rate instruments		
Financial liabilities	71,214	96,826

Fixed rate instruments relate to finance leases, the repayment schedule is generally over a fixed term of 5 years with equal monthly repayments.

19.2 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 2017				
Cash and cash equivalents	882,343	4,481	71,949	958,773
Trade and other debtors	1,363,430	-	-	1,363,430
Finance lease liabilities	(71,214)	-	-	(71,214)
Trade creditors	(224,066)	(63,808)	(32,937)	(320,811)
Net exposure	1,950,493	(59,327)	39,012	1,930,178

	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

19.3 Credit risk

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

Notes to the financial statements

for the year ended 31 December 2017

19 Financial instruments (continued)

19.3 Credit risk (continued)

Credit quality of financial assets and impairment losses

The aging of trade debtors at the reporting date was:

	Gross 2017 £	Impairment 2017 £	Gross 2016 £	Impairment 2016 £
Not past due	1,275,169	5,033	777,676	21,229
Past due 0 – 30 days	68,656	319	12,950	354
More than 30 days	27,144	25,075	6,334	5,451
Total	1,370,969	30,427	796,960	27,034

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:

	2017 £	2016 £
Balance at 1 January	27,034	-
Acquisitions/disposals	22,888	-
Provision utilised	(4,416)	-
Increase/(decrease) in provision	(15,079)	27,034
Balance at 31 December	30,427	27,034

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.

Notes to the financial statements

for the year ended 31 December 2017

19 Financial instruments (continued)

19.4 Liquidity risk

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

The following are the contractual maturities of financial liabilities:

Year ended 31 December 2017	Carrying amount £	1 year or less £	1 to 2 years £	2 to 5 years £
Non-derivative financial liabilities:				
Finance lease liabilities	71,214	25,612	25,612	19,990
Trade and other creditors	320,811	320,811	-	-
Total	392,025	346,423	25,612	19,990

Period ended 31 December 2016	Carrying amount £	1 year or less £	1 to 2 years £	2 to 5 years £
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

There are no contractual maturities over five years.

20 Acquisitions and disposals

20.1 Acquisition of Orange County Limited

On 7 July 2017, the Company acquired 100% of the share capital of Orange County Limited, a UK based company, thereby obtaining control.

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 £
Tangible fixed assets	33,629	(3,083)	29,826
Stocks	301,889	(26,637)	275,252
Trade and other debtors	785,001	(22,888)	762,113
Cash and cash equivalents	1,936,339	-	1,936,339
Trade and other creditors	(339,135)	-	(339,135)
Current tax balances	(283,913)	-	(283,913)
Deferred tax liability	(7,187)	-	(7,187)
Total net assets	2,426,623	(53,328)	2,373,295

Notes to the financial statements

for the year ended 31 December 2017

20 Acquisitions and disposals (continued)

20.1 Acquisition of Orange County Limited

	£
Fair value of consideration paid	
Amount settled in cash	3,200,000
Fair value of contingent consideration	2,823,200
Stamp duty	45,000
Total consideration	6,068,200

Transfer of trade and assets

On 30 September 2017 the Company acquired the entire trade, assets and liabilities of Orange County Limited, a subsidiary of the Company, as noted below:

	Book value £
Fixed assets	31,304
Stocks	264,710
Trade and other debtors	2,831,336
Cash and cash equivalents	810,279
Trade and other creditors	(1,062,940)
Deferred tax liabilities	(7,187)
Current tax balances	(230,788)
Total net assets	2,636,714

Purchase consideration – intercompany loan	2,636,714
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21 Authorised, issued and called up share capital

	2017 £	2016 £
Authorised, allotted, called up and fully paid		
Ordinary shares of £1 each	998	998
Total authorised, allotted, called up and fully paid	998	998

22 Employee benefits

22.1 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 £47,227 (2016: £65,502).

Notes to the Financial Statements

for the year ended 31 December 2017

23 Operating lease commitments

Non-cancellable operating leases rentals are payable as follows:

	2017	2016
	£	£
In one year or less	60,164	51,412
Between one and five years	133,637	136,745
More than five years	91,667	119,167
Total	285,468	307,324

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 2017, 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	
	2017	2016	2017	2016
	£	£	£	£
In one year or less	27,500	27,500	32,664	23,912
Between one and five years	110,000	110,000	23,637	26,745
More than five years	91,667	119,167	-	-
Total	229,167	256,667	56,301	50,657

During the year £50,675 was recognised as an expense in the Income Statement in respect of operating leases (2016: £99,690).

24 Capital commitments

The Company had no capital commitments at 31 December 2017 or 31 December 2016.

25 Contingent liabilities

The Company is party to an intra-group funding arrangement with the other group companies, and could be required to provide funds to enable them to meet their financial obligations. The total amount outstanding at the year end was £19,338,472 (2016: £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.

26 Subsequent events

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

Notes to the Financial Statements

for the year ended 31 December 2017

27 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 £27,500 (2016: £41,250) to the Hydravalve SIPP, a pension fund under the trusteeship of some of the Directors in place in the prior year, for the ultimate benefit of these Directors.

28 Ultimate group undertaking

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

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