

**REGISTERED NUMBER: 03503896**

**Parker Hannifin Manufacturing  
(UK) Limited**

**Strategic Report, Report of the Directors and  
Financial Statements for the Year Ended 30 June 2019**



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for the Year Ended 30 June 2019**

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**Parker Hannifin Manufacturing  
(UK) Limited**

**Company Information  
for the Year Ended 30 June 2019**

**DIRECTORS:**

G M Ellinor  
J A D Elsey

**SECRETARY:**

G M Ellinor

**REGISTERED OFFICE:**

Parker House  
55 Maylands Avenue  
Hemel Hempstead  
Hertfordshire  
HP2 4SJ

**REGISTERED NUMBER:**

03503896

**AUDITOR:**

Deloitte LLP  
Statutory Auditor  
St Albans  
United Kingdom

**SOLICITORS:**

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

**Strategic Report  
for the Year Ended 30 June 2019**

The directors present their strategic report for the year ended 30 June 2019.

**REVIEW OF BUSINESS**

The company has made a loss after tax for the year of £3,454,000 (2018: profit of £1,135,000). The company has moved into a loss making position from 2018 to 2019 mainly as a result of a significant loss on the revaluation of fixed asset investments.

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

The company has net assets of £46,039,000 (2018: £49,493,000) and is profitable, therefore the directors consider that it is appropriate to prepare the financial statements on a going concern basis. Furthermore, its ultimate parent undertaking, Parker Hannifin Corporation, has committed to provide financial support in order for the Company to meet its financial obligations as they fall due, for a period of at least twelve months from the date of signing the financial statements, should it be necessary to do so.

The directors have considered the potential impact of the Coronavirus (COVID-19) outbreak on the financial statements and their assessment of going concern at the date of signing of the financial statements, and have concluded that at present there is no impact to disclose.

**PRINCIPAL RISKS AND UNCERTAINTIES**

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

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

The other principal risk affecting the company is related to the valuation of the investment in Kuroda Precision Industries Limited, a Japanese entity.

Following the EU referendum result in 2016, and the result of the General Election on 12 December 2019, the group has been considering the potential impact on the business and has developed working groups to assess and plan for various scenarios. Management do not consider that this will have a significant impact on the business.

**KEY PERFORMANCE INDICATORS ("KPI'S")**

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

**BY ORDER OF THE BOARD:**



G M Ellinor - Director

Date: 16<sup>th</sup> March 2020

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

**Report of the Directors  
for the Year Ended 30 June 2019**

The directors present their annual report and the audited financial statements of the company for the year ended 30 June 2019.

**PRINCIPAL ACTIVITY**

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

**DIVIDENDS**

The directors do not recommend the payment of a dividend for the year (30 June 2018: £Nil).

**RESEARCH AND DEVELOPMENT**

The company has continued to invest in research and development programmes and infrastructure to support and expand its range of products. The company's research and development expenditure for the year ended 30 June 2019 amounted to £1,232,000 (2018: £1,421,000).

**FUTURE DEVELOPMENTS**

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

**DIRECTORS**

The directors shown below have held office during the whole of the period from 1 July 2018 to the date of this report.

G M Ellinor  
J A D Elsey

Other changes in directors holding office are as follows:

H Preston - resigned 30 June 2019

**FINANCIAL INSTRUMENTS**

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

**GOING CONCERN**

The company's business activities, together with the factors likely to affect its future development and position, are set out in the review of business and future developments sections.

The company is expected to continue to generate positive cash flows through its own activities and participates in the group's centralised treasury arrangements. Therefore, treasury banking activity is shared with its parent and fellow subsidiaries.

The ultimate parent undertaking, Parker Hannifin Corporation, has provided a written undertaking to continue to provide financial support to the company as and when required. The directors, having assessed the responses of the directors of Parker Hannifin Corporation to their enquiries, have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the Parker Hannifin Corporation group to continue as a going concern or its ability to continue with the current banking arrangements.

Despite the current economic conditions, the financial condition of the parent undertaking remains strong. It continues to generate substantial cash flows from operations, has controlled capital spending and has proactively managed working capital, with particular attention to collecting receivables from customers in financial difficulty. It has been able to borrow needed funds at affordable interest rates.

On the basis of their assessment of Parker Hannifin Corporation's financial position and of the enquiries made of its directors, the company's directors have a reasonable expectation that the company will be able to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

**Report of the Directors  
for the Year Ended 30 June 2019**

**FINANCIAL RISK MANAGEMENT**

Financial risk is managed through internal control processes, and review of company and group financial information. Due to the nature of the company's operating model, the company's exposure to price risk, credit risk, liquidity risk and cash flow risk is limited.

**POST BALANCE SHEET EVENTS**

There are no events since the balance sheet date which impact on the reported position or which require disclosure.

**EMPLOYEE POLICIES**

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned.

In the event of members of staff becoming disabled every effort is made to ensure that their employment with the company continues and the appropriate training is arranged.

It is the policy of the company that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability.

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

Communication with all employees continues through internal communication, briefing groups and the distribution of the annual report.

**DISCLOSURE IN THE STRATEGIC REPORT**

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

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The directors are responsible for preparing the Strategic Report, the Report of the Directors and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

**Report of the Directors  
for the Year Ended 30 June 2019**

**DISCLOSURE OF INFORMATION TO THE AUDITOR**

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

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

**AUDITOR**

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

**BY ORDER OF THE BOARD:**



.....  
G M Ellinor - Director

Date: 16<sup>th</sup> March 2020

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

**Report on the audit of the financial statements**

**Opinion**

In our opinion the financial statements of Parker Hannifin Manufacturing (UK) Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 30 June 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the income statement;
- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 20.

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

**Basis for opinion**

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

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

**Conclusions relating to going concern**

We are required by ISAs (UK) to report in respect of the following matters where:

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

We have nothing to report in respect of these matters.

**Other information**

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.



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

**Responsibilities of directors**

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

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

**Auditor's responsibilities for the audit of the financial statements**

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

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

**Report on other legal and regulatory requirements**

**Opinions on other matters prescribed by the Companies Act 2006**

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

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

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

**Matters on which we are required to report by exception**

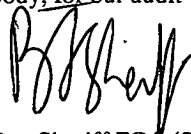
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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

We have nothing to report in respect of these matters.

**Use of our report**

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



Ben Sheriff FCA (Senior statutory auditor)  
for and on behalf of Deloitte LLP  
Statutory Auditor

Date: 18 March 2020

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

**Income Statement  
for the Year Ended 30 June 2019**

	Notes	30.6.19 £'000	30.6.18 £'000
<b>TURNOVER</b>	5	<b>24,129</b>	23,267
Cost of sales		<u>(23,188)</u>	<u>(22,680)</u>
<b>GROSS PROFIT</b>		<b>941</b>	587
Administrative expenses		<u>(564)</u>	<u>(332)</u>
		377	255
Other operating income		<u>156</u>	<u>-</u>
<b>OPERATING PROFIT</b>	8	<b>533</b>	255
Income from fixed asset investments	9	77	72
Interest receivable and similar income		<u>97</u>	<u>60</u>
		707	387
(Loss)/Gain on revaluation of assets		<u>(6,425)</u>	<u>730</u>
<b>(LOSS)/PROFIT BEFORE TAXATION</b>		<b>(5,718)</b>	1,117
Tax on (loss)/profit	10	<u>2,264</u>	<u>18</u>
<b>(LOSS)/PROFIT FOR THE FINANCIAL YEAR</b>		<u><b>(3,454)</b></u>	<u>1,135</u>

The notes on pages 12 to 20 form part of these financial statements

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

**Statement of total comprehensive Income  
for the Year Ended 30 June 2019**

	Notes	30.6.19 £'000	30.6.18 £'000
<b>(LOSS)/PROFIT FOR THE YEAR</b>		<b>(3,454)</b>	<b>1,135</b>
<b>OTHER COMPREHENSIVE COMPREHENSIVE INCOME</b>			
Income tax relating to other comprehensive income		-	-
<b>OTHER COMPREHENSIVE FOR THE YEAR, NET OF INCOME TAX</b>		<u>-</u>	<u>-</u>
<b>TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR</b>		<b><u>(3,454)</u></b>	<b><u>1,135</u></b>

The notes on pages 12 to 20 form part of these financial statements

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

**Balance Sheet  
30 June 2019**

	Notes	30.6.19 £'000	30.6.18 £'000
<b>FIXED ASSETS</b>			
Tangible assets	12	8,245	6,431
Investments	13	<u>5,933</u>	<u>12,358</u>
		<u>14,178</u>	<u>18,789</u>
<b>CURRENT ASSETS</b>			
Debtors	14	41,618	42,426
<b>CREDITORS</b>			
Amounts falling due within one year	15	<u>(9,609)</u>	<u>(10,350)</u>
<b>NET CURRENT ASSETS</b>		<u>32,009</u>	<u>32,076</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		46,187	50,865
<b>PROVISIONS FOR LIABILITIES</b>	17	<u>(148)</u>	<u>(1,372)</u>
<b>NET ASSETS</b>		<u>46,039</u>	<u>49,493</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	18	36,400	36,400
Revaluation reserve	19	735	5,921
Capital contribution reserve	19	10,067	10,067
Profit and loss account	19	<u>(1,163)</u>	<u>(2,895)</u>
<b>SHAREHOLDERS' FUNDS</b>		<u>46,039</u>	<u>49,493</u>

The financial statements were approved and authorised for issue by the Board of Directors on 16th March 2020 and were signed on its behalf by:

  
.....  
G M Ellinor - Director

The notes on pages 12 to 20 form part of these financial statements

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

**Statement of Changes in Equity  
for the Year Ended 30 June 2019**

	<b>Called up share capital £'000</b>	<b>Profit and loss account £'000</b>	<b>Revaluation reserve £'000</b>	<b>Capital contribution reserve £'000</b>	<b>Total equity £'000</b>
<b>Balance at 1 July 2017</b>	36,400	(3,389)	5,280	10,067	48,358
<b>Changes in equity</b>					
Total comprehensive income	-	1,135	-	-	1,135
Transfer to revaluation reserve	-	(641)	641	-	-
<b>Balance at 30 June 2018</b>	<u>36,400</u>	<u>(2,895)</u>	<u>5,921</u>	<u>10,067</u>	<u>49,493</u>
<b>Changes in equity</b>					
Total comprehensive loss	-	(3,454)	-	-	(3,454)
Transfer to revaluation reserve	-	5,186	(5,186)	-	-
<b>Balance at 30 June 2019</b>	<u>36,400</u>	<u>(1,163)</u>	<u>735</u>	<u>10,067</u>	<u>46,039</u>

The notes on pages 12 to 20 form part of these financial statements

**Notes to the Financial Statements  
for the Year Ended 30 June 2019**

**1. GENERAL INFORMATION ON THE COMPANY**

The principal activity of the company is, and will continue to be, to act as a manufacturer on behalf of Parker Hannifin EMEA Sarl, a fellow group company. The Company is a wholly owned subsidiary in the group of which Parker Hannifin Corporation is the ultimate parent.

**2. STATUTORY INFORMATION**

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

**3. STATEMENT OF COMPLIANCE**

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

**4. ACCOUNTING POLICIES**

**Basis of preparing the financial statements**

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

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

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

**Financial Reporting Standard 102 - reduced disclosure exemptions**

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

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 11 Financial Instruments paragraphs 11.41(b), 11.41(c), 11.41(e), 11.41(f), 11.42, 11.44, 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirement of Section 33 Related Party Disclosures paragraph 33.7.

**Significant judgements and estimates**

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. The Company has considered whether there are any such sources of estimation or critical accounting judgments in forming the financial statements and are of the opinion that there is none for the purposes of disclosure.

**Turnover**

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

**Notes to the Financial Statements - continued  
for the Year Ended 30 June 2019**

**4. ACCOUNTING POLICIES - continued**

**Tangible fixed assets**

Tangible fixed assets are shown at cost less accumulated depreciation.

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

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

Freehold land is not depreciated.

**Taxation**

Taxation for the year comprises current and deferred tax. Tax is recognised in the Income Statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Current or deferred taxation assets and liabilities are not discounted.

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

**Deferred tax**

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

Timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements. Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the year end and that are expected to apply to the reversal of the timing difference.

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

**Research and development**

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

**Pension**

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

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

**Notes to the Financial Statements - continued  
for the Year Ended 30 June 2019**

**4. ACCOUNTING POLICIES - continued**

**Financial instruments**

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

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

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

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

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

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

**Other investments**

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

**Operating leases**

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

**Going concern**

The company has net assets of £46,039,000 (2018: £49,493,000) and net current assets of £32,009,000 (2018: £32,076,000). After taxation, the company made a loss for the year of £3,454,000 (2018: Profit of £1,135,000) and as a manufacturer on behalf of other group companies the directors expect that the company will remain profitable in the future. Therefore the directors consider that it is appropriate to prepare the financial statements on a going concern basis. Furthermore, its ultimate parent undertaking, Parker Hannifin Corporation, has committed to provide financial support in order for the Company to meet its financial obligations as they fall due, for a period of at least twelve months from the date of signing the financial statements, should it be necessary to do so.

**Employee benefits**

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

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



**Notes to the Financial Statements - continued  
for the Year Ended 30 June 2019**

**5. TURNOVER**

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

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

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

**6. EMPLOYEES AND DIRECTORS**

	<b>30.6.19</b>	<b>30.6.18</b>
	<b>£'000</b>	<b>£'000</b>
Wages and salaries	<b>8,340</b>	7,322
Social security costs	<b>854</b>	820
Other pension costs	<b><u>1,013</u></b>	<u>1,005</u>
	<b><u>10,207</u></b>	<u>9,147</u>

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

	<b>30.6.19</b>	<b>30.6.18</b>
Production	<b>151</b>	130
Administration	<b><u>94</u></b>	<u>89</u>
	<b><u>245</u></b>	<u>219</u>

Included within staff costs are termination payments of £111,000 (2018: £313,000).

**7. DIRECTORS' EMOLUMENTS**

	<b>30.6.19</b>	<b>30.6.18</b>
	<b>£</b>	<b>£</b>
Directors' remuneration	<b><u>-</u></b>	<u>-</u>

No directors were remunerated for services to the company in the year to 30 June 2019.

Shares were received or receivable by two directors (30 June 2018: two).

Two directors (30 June 2018: Nil), exercised options during the year.

**8. OPERATING (LOSS)/PROFIT**

The operating loss (2018 - operating profit) is stated after charging:

	<b>30.6.19</b>	<b>30.6.18</b>
	<b>£'000</b>	<b>£'000</b>
Depreciation - owned assets	<b>1,015</b>	865
Loss on disposal of fixed assets	<b>7</b>	-
Goodwill amortisation	<b>-</b>	278
Research and development costs	<b>1,232</b>	1,421
Hire of plant and machinery	<b>149</b>	129
(Gain)/Loss on exchange	<b><u>1</u></b>	<u>2</u>

**Notes to the Financial Statements - continued  
for the Year Ended 30 June 2019**

**8. OPERATING (LOSS)/PROFIT - continued**

Audit fees for the auditing of the financial statements amounting to £35,498 (30 June 2018: £35,145) were borne by Parker Hannifin Manufacturing Limited, a fellow group undertaking, and have not been recharged.

**9. INCOME FROM FIXED ASSET INVESTMENTS**

	<b>30.6.19</b>	30.6.18
	<b>£'000</b>	£'000
Income from fixed asset investments	<u>77</u>	<u>72</u>

**10. TAXATION**

**Analysis of the tax credit**

The tax credit on the loss for the year was as follows:

	<b>30.6.19</b>	30.6.18
	<b>£'000</b>	£'000
Current tax:		
UK corporation tax	378	374
Adjustments to tax charge in respect of previous periods	<u>(1,418)</u>	<u>(511)</u>
Total current tax	<u>(1,040)</u>	<u>(137)</u>
Deferred tax	<u>(1,224)</u>	<u>119</u>
Tax on (loss)/profit	<u>(2,264)</u>	<u>(18)</u>

**Reconciliation of total tax credit included in profit and loss**

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

	<b>30.6.19</b>	30.6.18
	<b>£'000</b>	£'000
(Loss)/profit before tax	<u>(5,718)</u>	<u>1,117</u>
(Loss)/profit multiplied by the standard rate of corporation tax in the UK of 19% (2018 - 19%)	<u>(1,086)</u>	212
Effects of:		
Expenses not deductible for tax purposes	36	85
Income not taxable for tax purposes	(15)	(152)
Adjustments to tax charge in respect of previous periods	(1,415)	(469)
Transfer pricing adjustment - imputed interest	262	256
R&D tax relief claim	-	(38)
Effect of adjustment to prior year R&D tax credit claim	(20)	-
Effect of change in tax rate	<u>(26)</u>	<u>88</u>
Total tax credit	<u>(2,264)</u>	<u>(18)</u>

**Notes to the Financial Statements - continued  
for the Year Ended 30 June 2019**

**10. TAXATION - continued**

**Deferred tax movements**

<b>Deferred tax (asset)/liability</b>	<b>Accelerated capital allowances £'000</b>	<b>Fair value adjustments £'000</b>	<b>Total £'000</b>
Balance at 1 July 2018	(24)	1,396	<b>1,372</b>
Current year movement - P&L debit/(credit)	19	(1,221)	<b>(1,202)</b>
Prior year adjustment- P&L debit/(credit)	3	0	<b>3</b>
Effect of change in tax rate	(1)	(24)	<b>(25)</b>
<b>Balance at 30 June 2019</b>	<b>(3)</b>	<b>151</b>	<b>148</b>

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

The deferred tax asset at 30 June 2019 has been calculated based on the rate of 17% (at 30 June 2018: 19%), which is the substantively enacted rate at the balance sheet date which the majority of timing differences are expected to reverse.

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

**11. PENSIONS**

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

The Company's accounting policy for this group plan is set out in Note 4. The amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contributions payable in the year. The total liability of the Parker Plan as at 30 June 2019 is £40,700,000. The relevant FRS102 defined benefit scheme accounting disclosures for the Parker Plan as whole are reported within the financial statements for Parker Hannifin Manufacturing Limited.

**Notes to the Financial Statements - continued  
for the Year Ended 30 June 2019**

**12. TANGIBLE FIXED ASSETS**

	<b>Freehold land and buildings £'000</b>	<b>Plant and equipment £'000</b>	<b>Totals £'000</b>
<b>COST</b>			
At 1 July 2018	4,905	9,900	14,805
Additions	-	2,867	2,867
Disposals	(5)	(349)	(354)
Reclassification/transfer	<u>571</u>	<u>(571)</u>	<u>-</u>
At 30 June 2019	<u>5,471</u>	<u>11,847</u>	<u>17,318</u>
<b>DEPRECIATION</b>			
At 1 July 2018	2,227	6,147	8,374
Charge for year	152	863	1,015
Eliminated on disposal	<u>(5)</u>	<u>(311)</u>	<u>(316)</u>
At 30 June 2019	<u>2,374</u>	<u>6,699</u>	<u>9,073</u>
<b>NET BOOK VALUE</b>			
At 30 June 2019	<u>3,097</u>	<u>5,148</u>	<u>8,245</u>
At 30 June 2018	<u>2,678</u>	<u>3,753</u>	<u>6,431</u>

Included in cost of land and buildings is freehold land of £700,000 (2018 - £700,000) which is not depreciated.

**13. FIXED ASSET INVESTMENTS**

	<b>Other investments £'000</b>
<b>COST OR VALUATION</b>	
At 1 July 2018	12,358
Revaluations	<u>(6,425)</u>
At 30 June 2019	<u>5,933</u>
<b>NET BOOK VALUE</b>	
At 30 June 2019	<u>5,933</u>
At 30 June 2018	<u>12,358</u>

Cost or valuation at 30 June 2019 is represented by:

	<b>Other investments £'000</b>
Valuation in 2018	12,358
Valuation in 2019	<u>(6,425)</u>
	<u>5,933</u>

**Notes to the Financial Statements - continued  
for the Year Ended 30 June 2019**

**13. FIXED ASSET INVESTMENTS - continued**

At 30 June 2019, the company held shares in the allotted share capital of the following:

	<b>Country of registration and operation</b>	<b>Percentage held</b>	<b>Nature of business</b>
Kuroda Precision Industries Limited	Japan	16.8%	Manufacture and sale of industrial tools

The directors consider that although the company maintains a 16.8% interest in the share capital of Kuroda Precision Industries Limited, the company does not maintain any influence over its operating and financial policies. Therefore the directors consider it appropriate to account for this holding as a trade investment. The market value of the investment is £5,933,000. (30 June 2018: £12,358,000), this led to a revaluation deficit in the year of £6,425,000.

**14. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	<b>30.6.19</b>	<b>30.6.18</b>
	<b>£'000</b>	<b>£'000</b>
Trade debtors	13	6
Amounts owed by other group companies	40,829	41,573
VAT	642	716
Prepayments and accrued income	<u>134</u>	<u>131</u>
	<b><u>41,618</u></b>	<b><u>42,426</u></b>

Included within the amounts owed by group undertakings is a loan amounting to £11,659,000 (2018: £11,567,000) on which interest is charged at 0.8948% (2018: 0.8367%). The loan is unsecured and repayable on 15 June 2020.

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

**15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	<b>30.6.19</b>	<b>30.6.18</b>
	<b>£'000</b>	<b>£'000</b>
Trade creditors	2,751	3,585
Amounts owed to other group companies	6,139	6,358
Accruals and deferred income	<u>719</u>	<u>407</u>
	<b><u>9,609</u></b>	<b><u>10,350</u></b>

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

**16. LEASING AGREEMENTS**

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

	<b>30.6.19</b>	<b>30.6.18</b>
	<b>£'000</b>	<b>£'000</b>
Within one year	60	56
Between one and five years	<u>109</u>	<u>43</u>
	<b><u>169</u></b>	<b><u>99</u></b>

**Notes to the Financial Statements - continued  
for the Year Ended 30 June 2019**

**17. PROVISIONS FOR LIABILITIES**

	<b>30.6.19</b>	30.6.18
	<b>£'000</b>	£'000
Deferred tax		
Accelerated capital allowances	(3)	(24)
Fair value Adjustments	<u>151</u>	<u>1,396</u>
	<u><b>148</b></u>	<u><b>1,372</b></u>
		<b>Deferred</b>
		<b>tax</b>
		<b>£'000</b>
Balance at 1 July 2018		<b>1,372</b>
Accelerated capital allowances		<b>17</b>
Adjustment to prior years		<b>(5)</b>
Effect of tax rate change		<b>(144)</b>
Revaluation		<b><u>(1,092)</u></b>
Balance at 30 June 2019		<u><b>148</b></u>

Approximately £17,000 of the deferred tax liability is expected to reverse during the year beginning after 30 June 2019, related to accelerated capital allowances. We are unable to anticipate reversals related to fair value adjustments.

**18. CALLED UP SHARE CAPITAL**

Allotted, issued and fully paid:			<b>30.6.19</b>	30.6.18
Number:	Class:	Nominal value:	<b>£'000</b>	£'000
36,400,000	Ordinary	£1	<u><b>36,400</b></u>	<u><b>36,400</b></u>

There are no rights, preferences or restrictions attached to ordinary shares.

**19. RESERVES**

**Revaluation reserve**

The reserve records the revaluation surplus on investments held.

**Capital contribution reserve**

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

**20. ULTIMATE PARENT COMPANY AND CONTROLLING PARTY**

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

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