PMC Fluidpower Limited (formerly Primary Fluid Holdings Limited)

Annual Report and Financial Statements

Registered number 05428542

31 December 2016

PMC Fluidpower Limited (formerly Primary Holdings Limited)

Company Information

Directors	Sean Fennon Bryce Brooks
Registered number	05428542
Registered office	Pimbo Road Sklemersdale Lancashire WN8 9RB
Independent auditor	Grant Thornton UK LLP Chartered Accountants and Statutory Auditors 4 Hardman Square Spinningfields Manchester M3 3EB

Contents

Strategic Report

Introduction

The Directors present their Strategic Report of PMC Fluidpower Limited (the "Company") for the year ended 31 December 2016. The Company changed its name from Primary Fluid Holdings Limited on 5 May 2016. The Company's principal activity is the design, build and supply of hydraulic components.

Business review

The Company acts as a holding company for companies within the hydraulic sector and also commenced trading in the hydraulic cylinder market following the transfer of trade and assets from a subsidiary during the year.

The profit for the year after taxation amounted to £860,002 (2015: £nil).

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 closely with both customers and suppliers to reduce lead times for customers. Risk is also managed by using quality components, continual employee training, strong project management skills and using the extensive experience of the management team. The Company has diversified its customers so it not reliant on any one industrial sector or geographical market.

Key performance indicators

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

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

Bryce Brooks
Director
26 April 2017

Directors' Report

The Directors present the audited Financial Statements of PMC Fluidpower Limited (formerly Primary Fluid Holdings Limited) for the year ended 31 December 2016.

Directors

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

Sean Fennon
Bryce Brooks

Dividends

Dividends paid during the year were £850,000 (2015: £nil), the Directors do not recommend a final dividend. Dividends received during the year were £850,000 (2015: £nil).

Financial instruments

The Company finances its activities with a combination of inter group loans, cash and short term deposits, as disclosed in note 18. Other financial assets and liabilities, such as trade debtors and trade creditors, arise directly from the Company's operating activities.

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's banking facilities in light of the current and future cash flow forecasts and they believe that the Company is able to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment. After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Financial Statements.

Directors' Report *(Continued)*

Disclosure of information to the Auditor

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's Auditor is unaware; and each Director has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's Auditor is aware of that information.

Auditor

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

These Reports were approved by the Board and signed on their behalf by

Bryce Brooks
Director
26 April 2017

Statement of Directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the Financial Statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws including FRS 101 "Reduced disclosure framework").

Under company law the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that 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;
- state whether applicable UK Accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

Independent Auditor's Report to the members of PMC Fluidpower Limited (formerly Primary Fluid Holdings Limited)

We have audited the financial statements of Primary Fluid Holdings Limited (formerly Primary Fluid Holdings Limited) for the year ended 31 December 2016 which comprise the Income Statement, the Statement of Financial Position, the Statement of Changes in Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 "Reduced Disclosure Framework".

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

Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' Responsibilities, as set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

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

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

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

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

Independent Auditor's Report to the members of PMC Fluidpower Limited (formerly Primary Fluid Holdings Limited) continued

Matters on which we are required to report by exception

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

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

Stuart Muskett

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

26 April 2017

Income Statement

for the year ended 31 December 2016

	Note	2016 £	2015 £
Turnover	3	**255,545**	-
Cost of sales		**(211,093)**	-
Gross profit		**44,452**	-
Distribution costs		**(1,834)**	-
Administrative expenses		**(70,065)**	-
Release of over provided contingent consideration		**108,000**	
Operating profit	4	**80,553**	-
Interest receivable and similar income	6	**850,000**	-
Interest payable and similar cost	7	**(64,649)**	-
Profit on ordinary activities before taxation		**865,904**	-
Tax expense	8	**(5,902)**	-
Profit for the financial year		**860,002**	-

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

All turnover and operating profits are derived from continuing operations.

Statement of Financial Position

at 31 December 2016

	Note	2016 £	2015 £
Fixed assets			
Tangible assets	11	**39,490**	-
Investments	10	**10,049,891**	1,383,670
Total fixed assets		**10,089,381**	1,383,670
Current assets			
Stocks	12	**18,465**	-
Trade and other debtors	13	**1,036,534**	-
Cash and cash equivalents	14	**187,111**	-
Total current assets		**1,242,110**	-
Creditors: amounts falling due within one year			
Trade and other creditors	15	**9,029,412**	151,307
Tax payable		**26,666**	-
Contingent consideration	16	**1,009,270**	-
Total creditors: amounts falling due within one year		**10,065,348**	151,307
Net current liabilities		**8,823,238**	151,307
Total assets less current liabilities		**1,266,143**	151,307
Creditors: amounts falling due after one year			
Provisions for liabilities	17	**10,000**	-
Deferred tax liabilities	8	**13,778**	-
Total assets less current liabilities		**23,778**	1,232,363
Net assets		**1,242,365**	1,232,363
Capital and reserves			
Share capital	20	**101**	101
Share premium account		**69,900**	69,900
Other reserves		**1,162,362**	1,162,362
Retained earnings		**10,002**	-
Total equity		**1,242,365**	1,232,363

The Financial Statements on pages 7 to 24 were approved by the Directors on 26 April 2017 and were signed by:

Bryce Brooks
Director

PMC Fluidpower Limited
Pimbo Road
Skelmersdale
Lancashire
WN8 9RB

Statement of Changes in Equity

for the year ended 31 December 2016

	Share capital £	Share premium account £	Other reserves £	Retained earnings £	Total Equity £
Balance at 1 January 2015 and 1 January 2016	**101**	**69,900**	**1,162,362**	**-**	**1,232,363**
Profit for the year	-	-	-	860,002	860,002
Total comprehensive income for the year	-	-	-	860,002	860,002
Transactions with owners					
Equity dividends paid (note 9)	-	-	-	(850,000)	(850,000)
Total transactions with owners	-	-	-	(850,000)	(850,000)
Balance at 31 December 2016	**101**	**69,900**	**1,162,362**	**10,002**	**1,242,365**

Notes to the Financial Statements

for the year ended 31 December 2016

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

The Financial Statements of PMC Fluidpower Limited (formerly Primary Fluid Holdings Limited) for the year ended 31 December 2016 were authorised for issue by the Board of Directors on 26 April 2017 and the Statement of Financial Position was signed on the Board's behalf by Bryce Brooks. Primary Fluid Holdings 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 Fluidpower MIP Limited.

The results of Fluidpower MIP 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 accounting policies which follow set out those policies which apply in preparing the Financial Statements for the year ended 31 December 2016.

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

(a) the 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) 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 2016

2 Accounting policies (continued)

2.2 Going concern

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

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

2.3 Significant judgements, key assumptions and estimates

In the process of applying the Company's accounting policies, which are described above, management has made judgements and estimations about the future that 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.

Management do not believe there are any judgements, key assumptions or estimates of sufficient significance to require disclosure.

2.4 Investments

All investments are initially recorded at cost, being the fair value of consideration given including the acquisition costs associated with the investment. Subsequently they are reviewed for impairment on an individual basis if events or changes in circumstances indicate the carrying value may not be fully recoverable.

2.5 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.

Notes to the Financial Statements

for the year ended 31 December 2015

2 Accounting policies (continued)

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 were the effect is immaterial.

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.

2.6 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 deprecation methods are as follows:

Plant, machinery and equipment	3 to 20 years – straight line
Motor vehicles	4 to 5 years – reducing balance

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

Notes to the Financial Statements
for the year ended 31 December 2015

2 Accounting policies (continued)

2.7 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.

2.8 Operating lease payments

An operating lease is defined as a lease in which substantially all of the risks and rewards incidental to ownership remain with the lessor. 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.

2.9 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 principle and includes expenditure incurred in acquiring the stocks and other costs in bringing them to their existing location and condition.

Work in progress comprises assembled items ready for despatch and is valued at its stock component cost.

2.10 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.

2.11 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.

Notes to the Financial Statements

for the year ended 31 December 2015

2 Accounting policies (continued)

2.12 Taxation

Tax on the profit or loss 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 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 year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

2.13 Equity and reserves

Equity comprises the following:

- "Share capital" represents the nominal value of equity shares
- "Share premium" represents the excess over nominal value of consideration received for equity share net of expenses of the share issue, less any costs associated with the issuing of shares
- "Other reserves" represent the write off of negative goodwill created on the acquisition of Primary Fluid Power Limited, this reserve is non-distributable
- "Retained earnings" represent retained earnings of the Company

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

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

3 Turnover

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

	2016	2015
	£	£
United Kingdom	**254,256**	-
Europe	**-**	-
Rest of World	**1,289**	-
Total turnover	**255,545**	-

Notes to the Financial Statements
for the year ended 31 December 2016

4 Operating profit

This is stated after charging/(crediting):

	2016 £	2015 £
Impairment loss on trade debtors	1,105	-
Depreciation of owned tangible fixed assets	938	-
Operating lease rentals		
– land and buildings	4,995	-
- other	2,910	-

Auditor's remuneration
Audit fees are borne by another group undertaking

5 Staff costs and Directors' remuneration

	2016 £	2015 £
Staff costs		
Wages and salaries	89,970	-
Social security costs	10,309	-
Contributions to defined contribution pension plans	1,499	-
Total staff costs	101,778	-

Directors' remuneration is borne by another group undertaking in the current reporting year.

Included in staff costs are £38,344 of costs which are recharged to the Company's subsidiaries.

The average number of employees of the Company (excluding directors) during the year was:

	2016 Number	2015 Number
Assembly and distribution	2	-
Administration	4	-
Total number	6	-

6 Interest receivable and similar income

	2016 £	2015 £
Interest receivable and similar income		
Dividends received from group undertakings	850,000	-
Total interest receivable and similar income	850,000	-

Notes to the Financial Statements

for the year ended 31 December 2016

7 Interest payable and similar cost

	2016	2015
	£	£
Interest payable and similar cost		
Imputed interest on contingent consideration	64,649	-
Total interest payable and similar cost	64,649	-

8 Taxation

a) Tax charged in the income statement

	2016	2015
	£	£
Deferred tax		
Origination and reversal of temporary differences	5,902	-
Total tax expense	5,902	-

b) Reconciliation of the total tax charge

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

	2016	2015
	£	£
Profit before taxation	865,904	-
Tax calculated at the UK standard rate of corporation tax of 20.00% (2015: 20.25%)	173,181	-
Amounts not taxable	(191,600)	-
Amounts not deductible	21,243	-
Impact of change in tax rate	(1,041)	-
Group relief	4,119	-
Total tax expense in the income statement	5,902	-

c) Change in corporation tax rate

A reduction in the UK corporation tax rate from 21% to 20% (effective from 1 April 2015) was substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly. The deferred tax assets and liabilities at 31 December 2016 have been calculated based on these rates.

Notes to the Financial Statements
for the year ended 31 December 2015

8 Taxation (continued)

d) Deferred tax

	Assets		Liabilities	
	2016	2015	**2016**	2015
	£	£	**£**	£
Tangible fixed assets	-	-	**13,778**	-
Tax liabilities	-	-	**13,778**	-
Net deferred tax liability			**13,778**	-

e) Movement in deferred tax during the year ended 31 December 2016

	1 January 2016	Acquired through business combinations	Recognised in income	**31 December 2016**
	£	£	£	**£**
Tangible fixed assets	-	7,876	5,902	**13,778**
	-	7,876	5,902	**13,778**

9 Dividends paid and proposed

	2016	2015
	£	£
Declared and paid during the year		
Equity dividends of £8,416 (2015: £nil) per Ordinary share	**850,000**	-
Total dividends paid	**850,000**	-

No dividends are proposed at the end of the year.

10 Fixed asset investments

	Investments in subsidiary undertakings
	£
Cost and net book value at 1 January 2016	1,383,470
Acquisitions	8,666,421
Cost and net book value at 31 December 2016	**10,049,891**

On 29 July 2016, the Company acquired 100% of the ordinary shares in Triplesix Limited, see note 19.

On 20 September 2016 the Company acquired 100% of the ordinary shares in Nelson Hydraulics Limited and the investment value in the trade of Albroco from another group undertaking at net book value. These acquisitions were part of a group reorganisation.

Notes to the Financial Statements
for the year ended 31 December 2016

10 Fixed asset investments (continued)

Details of subsidiary undertakings

	Principal activity	Holding	Country of incorporation
Primary Fluid Power Limited	Assembly and distribution of engineering components	100%	UK
Nelson Hydraulics Limited	Assembly and distribution of engineering components	100%	UK
Triplesix Limited	Dormant	100%	UK

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

11 Tangible fixed assets

	Plant, machinery & equipment £	Motor vehicles £	Total £
Cost			
At 1 January 2016	-	-	-
Additions	5,820	-	5,820
Additions through business combinations	23,948	10,660	34,608
At 31 December 2016	**29,768**	**10,660**	**40,428**
Depreciation			
At 1 January 2016	-	-	-
Charge for year	289	649	938
At 31 December 2016	**289**	**649**	**938**
Net book value			
At 31 December 2016	**29,479**	**10,011**	**39,490**
At 31 December 2015	-	-	-

12 Stocks

	2016 £	2015 £
Finished goods and goods for resale	**15,385**	-
Work in progress	**3,080**	-
Total stocks	**18,465**	-

Changes in finished goods recognised as cost of sales in the year amounted to £74,108 (2015: £nil).

Notes to the Financial Statements
for the year ended 31 December 2016

13 Trade and other debtors

	2016 £	2015 £
Current:		
Trade debtors	**258,604**	-
Prepayments and accrued income	**20,113**	-
Amounts owed by group undertakings	**757,817**	-
Total trade and other debtors	**1,036,534**	-

14 Cash and cash equivalents

	2016 £	2015 £
Cash and cash equivalents:		
Sterling	**187,111**	-
Total cash and cash equivalents	**187,111**	-

15 Trade and other creditors

	2016 £	2015 £
Current:		
Trade creditors	**82,279**	-
Social security and other taxes	**33,913**	-
Other creditors	**61**	-
Accruals and deferred income	**180,803**	-
Amounts owed to other group undertakings	**8,732,356**	151,307
Total trade and other creditors	**9,029,412**	151,307

16 Contingent consideration

	2016 £	2015 £
Current liabilities:		
Contingent consideration	**1,009,270**	-
Total current liabilities	**1,009,270**	-
Total deferred and contingent consideration	**1,009,270**	-

Contingent consideration relates to amounts due to the former shareholders of Nelson Fluid Power Limited and has been transferred from Fluidpower MIP Limited following a group reorganisation in the year. The contingent consideration is due to be paid on 31 July 2017 and is contingent on the profits of Nelson Fluid Power Limited exceeding £500,000 in each of the twelve month periods ending 30 June 2016 and 30 June 2017. This target was achieved for the twelve months to 30 June 2016.

Notes to the Financial Statements
for the year ended 31 December 2016

17 Provisions for liabilities

	Provisions for dilapidations £	Total £
Non current:		
Balance at 1 January 2016	-	-
Provisions made during the year	10,000	10,000
Balance at 31 December 2016	**10,000**	**10,000**

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.

18 Financial instruments

18.1 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 debt 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. Credit insurance is used to cover certain customer balances.

The concentration of credit risk for trade debtors and at the reporting date by geographic region was:

	2016 £	2015 £
UK	**256,953**	-
Europe	-	-
Rest of World	**1,651**	-
Total	**258,604**	-

Credit quality of financial assets and impairment losses

The aging of trade debtors at the reporting date was:

	Gross 2016 £	**Impairment 2016** £	Gross 2015 £	Impairment 2015 £
Not past due	**234,089**	**1,309**	-	-
Past due 0 – 30 days	**16,969**	**95**	-	-
More than 30 days	**55,564**	**46,614**	-	-
Total	**306,622**	**48,018**	-	-

Notes to the Financial Statements
for the year ended 31 December 2016

18 Financial instruments (continued)

Credit quality of financial assets and impairment

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 year was as follows:

	2016	2015
	£	£
Balance at 1 January	**-**	-
Acquired through business combinations	**46,913**	
Provision made	**1,105**	-
Balance at 31 December	**48,018**	-

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.

18.2 Liquidity risk

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

The following are the contractual maturities of financial liabilities:

	Carrying amount	1 year or less	1 to 2 years	2 to 5 years
Year ended 31 December 2016	**£**	£	£	£
Non-derivative financial liabilities:				
Trade and other creditors	**82,279**	82,729	-	-
Total	**82,279**	82,729	-	-

	Carrying amount	1 year or less	1 to 2 years	2 to 5 years
Year ended 31 December 2015	£	£	£	£
Non-derivative financial liabilities:				
Trade and other creditors	-	-	-	-
Total	-	-	-	-

There are no contractual maturities over five years.

Notes to the Financial Statements
for the year ended 31 December 2016

19 Acquisitions and disposals

19.1 Acquisition of Triplesix Limited

On 29 July 2016, the Company acquired 100% of the share capital of Triplesix 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
	£	£	£
Fixed assets	41,369	(5,793)	35,576
Stocks	15,709	-	15,709
Trade and other debtors	193,431	(46,913)	146,518
Cash and cash equivalents	408,736	-	408,736
Trade and other creditors	(62,977)	-	(62,977)
Current tax balances	(62,699)	-	(62,699)
Provisions	-	(10,000)	(10,000)
Deferred tax liability	(7,876)	-	(7,876)
Total net assets	**525,693**	**(62,706)**	**462,987**

	£
Fair value of consideration paid	
Amount settled in cash	775,693
Stamp duty	7,500
Total consideration paid in cash	**783,193**

19.2 Transfer of trade and assets

On 30 September 2016 the Company acquired the entire trade, assets and liabilities of Triplesix Limited, a subsidiary of the Company, as noted below:

	Book value
	£
Fixed assets	34,608
Stocks	35,709
Trade and other debtors	417,033
Cash and cash equivalents	174,714
Trade and other creditors	(164,192)
Deferred tax liabilities	(7,876)
Provisions	(10,000)
Total net assets	**479,996**

Purchase consideration – intercompany loan	**479,996**

Notes to the Financial Statements
for the year ended 31 December 2016

20 Authorised, issued and called up share capital

	2016	2015
	£	£
Authorised, allotted, issued and fully paid		
101 Ordinary shares of £1 each	**101**	101
Total authorised, allotted, called up and fully paid	**101**	101

21 Employee benefits

21.1 Pension plans

The Company operates a defined contribution plan. The total expense relating to this plan in each year was £1,499 (2015: £nil).

22 Operating lease commitments

Non-cancellable operating leases rentals are payable as follows:

	2016	2015
	£	£
Expiring:		
In one year or less	**31,623**	-
Between one and five years	**32,019**	-
Total	**63,642**	-

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

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

	Land and buildings		Other	
	2016	2015	2016	2015
	£	£	£	£
In one year or less	**19,980**	-	**11,643**	-
Between one and five years	-	-	**32,019**	-
Total	**19,980**	-	**43,662**	-

During the year £7,905 (2015: £nil) was recognised as an expense in the income statement in respect of operating leases.

Notes to the Financial Statements

for the year ended 31 December 2016

23 Contingent liabilities and capital commitments

The Company is party to an intra-group funding arrangement with the other group companies, and could be required to provide funds to enable them to meet their financial obligations. The total amount outstanding at the year end was £16,857,143 comprising a bank loan and revolving credit facility which are secured by legal charges over certain of the Group's assets including trade receivables and stock.

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

24 Subsequent events

Hydraulics and Transmissions Limited (HTL) was acquired on 20 January 2017 for an initial consideration of £0.75 million in cash with contingent consideration of £1 million anticipated to be paid over the next two years. The cash consideration was funded out of existing Group resources. HTL provides fluid power solutions predominantly to the mobile market segment and is based in Ludlow, Shropshire.

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

25 Related party transactions

During the year the Company entered into transactions, in the ordinary course of business, with related parties, all of whom are fellow wholly owned subsidiaries of the ultimate group undertaking. The Company has taken advantage of the exemption under paragraph 8(k) of FRS 101 not to disclose these transactions.

26 Ultimate group undertaking

The company is a subsidiary undertaking of Fluidpower MIP 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.