PMC Fluidpower Limited

(formerly Primary Fluid Power Limited)

Annual Report and Financial Statements

Registered number 00926679

31 December 2017

PMC Fluidpower Limited

(formerly Primary Fluid Power Limited)

Company Information

Directors	Jon Burke Anthony Browne Paul McGrady Sean Fennon Bryce Brooks
Registered number	00926679
Registered office	Flowtech Fluidpower Plc Pimbo Road Skelmersdale England 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 (formerly Primary Fluid Power Limited, the "Company") for the year ended 31 December 2017. The Company's principal activity is the design and build of power packs, hydraulic systems and purifiers to an international market. There have not been any significant changes in the Company's principal activities in the year under review.

Business review

As shown in the Company's Income Statement on page 8, the Company's sales have increased by 47% *(2016: 5%)* from £8.9m to £13.0m, £1.0m is derived from organic growth in the core business and £3.1m from the trade of the Hydraulics and Transmissions Limited ("HTL") which was transferred into the Company on 30 June 2017. Gross margin has increased to 24% *(2016: 22%)* reflecting the impact of HTL contribution at 29% margin, the core business has remained stable at 22%. The Directors believe this represents a very satisfactory performance given the challenging trading conditions experienced during the year, and the outlook for 2018 and beyond remains satisfactory.

The Statement of Financial Position on page 9 shows the net assets of the company have increased by £1.4m to £7.8m.

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 standardising designs to achieve consistent quality standards and 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 year and target performance. At the Company level the key performance indicators are sales, gross margin, EBITDA, cash generation, future order book levels together with working capital measures against stock and debtors. Of key focus is the gross profit; the average gross profit per day achieved was £12,534 compared to prior year £7,746.

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 PMC Fluidpower Limited (the "Company") for the year ended 31 December 2017.

Directors

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

Anthony Browne
Jon Burke
Paul McGrady
Sean Fennon
Bryce Brooks

Dividends

Dividends paid during the year were £175,000 *(2016: £500,000),* the Directors do not recommend a final dividend.

Financial instruments

The Company finances its activities with a combination of bank loans, inter group loans, finance leases and hire purchase contracts, cash and short term deposits, as disclosed in note 17. Other financial assets and liabilities, such as trade debtors and trade creditors, arise directly from the Company's operating activities.

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

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 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

Opinion

We have audited the financial statements of PMC 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' rsponsibilities 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	**2017**	2016
		£	£
Turnover	3	**13,037,743**	8,876,929
Cost of sales		**(9,916,795)**	(6,948,222)
Gross profit		**3,120,948**	1,928,707
Distribution costs		**(236,871)**	(190,583)
Administrative expenses		**(2,204,890)**	(1,485,633)
Operating profit	4	**679,187**	252,491
Interest payable and similar cost	6	**(37,660)**	(1,460)
Profit on ordinary activities before taxation		**641,527**	251,031
Tax expense	7	**(120,275)**	(62,467)
Profit for the financial year		**521,252**	188,564

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 2017

	Note	2017	2016
		£	£
Fixed assets			
Goodwill	10	3,056	-
Tangible assets	11	1,277,607	1,254,401
Investments	9	12,171,177	-
Deferred tax assets	7	2,723	24,197
Total fixed assets		13,454,563	1,278,598
Current assets			
Stocks	12	3,362,744	1,477,715
Trade and other debtors	13	5,684,347	6,326,785
Cash and cash equivalents	14	728,308	615,294
Total current assets		9,775,399	8,419,794
Creditors: *amounts falling due within one year*			
Trade and other creditors	15	12,695,630	3,249,009
Deferred and contingent consideration	16	1,254,390	-
Tax payable		213,463	72,574
Total creditors: amounts falling due within one year		14,163,483	3,321,583
Net current assets		(4,388,084)	5,098,211
Total assets less current liabilities		9,066,479	6,376,809
Creditors: amounts falling due after one year			
Deferred and contingent consideration	16	1,282,485	-
Deferred tax liabilities		5,016	-
Total creditors: amounts falling due after one year		1,287,501	-
Net assets		7,778,978	6,379,809
Capital and reserves			
Share capital	20	100	100
Share-based payment reserve		(10,978)	41,425
Capital contribution		1,108,320	-
Retained earnings		6,681,536	6,335,284
Total equity		7,778,978	6,376,809

The Financial Statements on pages 8 to 32 were approved by the Directors on 24 September 2018 and were signed by:

Bryce Brooks

Bryce Brooks
Director
PMC Fluidpower Limited
Pimbo Road
Skelmersdale
Lancashire
WN8 9RB

Statement of Changes in Equity

for the year ended 31 December 2017

	Share capital	Share-based payment reserve	Retained earnings/ (losses)	Capital contribution	Total equity
	£	£	£		£
Balance at 1 January 2016	**7,800,100**	**19,911**	**(1,153,280)**	**-**	**6,666,731**
Profit for the year	-	-	188,564	-	188,564
Total comprehensive income for the year	-	-	188,564	-	188,564
Transactions with owners					
Capital reduction	(7,800,000)	-	7,800,000	-	-
Share-based payment charge	-	21,514	-	-	21,514
Equity dividends paid (note 8)	-	-	(500,000)	-	(500,000)
Total transactions with owners	(7,800,000)	21,514	7,300,000	-	(478,486)
Balance at 1 January 2017	**100**	**41,425**	**6,335,284**	**-**	**6,376,809**
Profit for the year		-	521,252	-	521,252
Total comprehensive income for the year	-	-	521,252	-	521,252
Transactions with owners					
Capital reduction	-	-	-	-	-
Capital contribution	-	-	-	1,108,320	1,108,320
Share options settled	-	(68,060)	-	-	(68,060)
Share-based payment charge	-	15,657	-	-	15,657
Equity dividends paid (note 8)	-	-	(175,000)	-	(175,000)
Total transactions with owners	-	(52,403)	(175,000)	1,108,320	880,917
Balance at 31 December 2017	**100**	**(10,978)**	**6,681,536**	**1,108,320**	**7,778,978**

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 PMC Fluidpower Limited (the "Company") for the 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. PMC 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 PMC Fluidpower Group Limited.

The results of PMC 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 accounting policies which follow set out those policies which apply in preparing the Financial Statements for the year ended 31 December 2017.

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

(a) the requirements of paragraphs 45(b) and 46-52 of IFRS 2 "Share-based Payments", as the share-based payment arrangement concerns the instruments of another group entity;
(b) the requirement in paragraph 38 of IAS 1 "Presentation of Financial Statements" to present comparative information in respect of:
  (i) paragraph 79(a)(iv) of IAS 1;
  (ii) paragraph 73(e) of IAS 16 "Property, Plant and Equipment";
(c) the requirements of paragraphs 10(d) and 134-136 of IAS 1 "Presentation of Financial Statements" and the requirements of IAS 7 "Statement of Cash Flows";
(d) the requirements of paragraphs 30 and 31 of IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors";
(e) the requirements of paragraph 17 of IAS 24 "Related Party Disclosures";
(f) the requirements in IAS 24 "Related Party Disclosures" to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member;

Notes to the Financial Statements

for the year ended 31 December 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 stocks

The carrying value of stock as at 31 December 2017 is £3,397,744 *(2016: £1,477,715)* and included a provision against the stock of £819,116 *(2016: £1,629,331)*. During the year £699,651 *(2016: £402,469)* of the provision was utilised following the scrapping and sale of obsolete stock. A further provision was made during the year for £20,000 against stock acquired with HTL and a release £130,564 *(2016: £nil)* was made for stock relating to the core business. The provision for impairment of stock is based on sales trends for all 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.

Share based payments

A number of accounting estimates and judgements are incorporated within the calculation of the charge to the Income Statement in respect of share-based payments. These are described in more detail in note 23 of the consolidated financial statements of Flowtech Fluidpower plc.

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.

Notes to the Financial Statements

for the year ended 31 December 2017

2 Accounting policies (continued)

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.

2.4 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 deprecation methods are as follows:

Property	50 years straight line
Plant, machinery and equipment	5 - 20 years straight line
Office equipment	5 years straight line
Motor vehicles	4 - 5 years reducing balance
Computer Equipment	3 - 5 years straight line

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

Notes to the Financial Statements

for the year ended 31 December 2017

2 Accounting policies (continued)

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

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.

2.7 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 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.

From time to time contracts are obtained for hydraulic systems and the contract terms require the customer to make stage payments in accordance with key dates with in the contract. Staged payment turnover is recognised to the extent it is non-refundable under the terms of the contract.

Notes to the Financial Statements

for the year ended 31 December 2017

2 Accounting policies (continued)

2.10 Cost of sales

Cost of sales includes all costs incurred up to the point of despatch including the operating expenses of the warehouse.

2.11 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.

2.12 Foreign currency translation

Functional and presentation currency

The Financial Statements are presented in sterling, which is also the functional currency of the parent company.

Foreign currency transactions and balances

Transactions in foreign currencies are translated to the functional currency 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.

Notes to the Financial Statements
for the year ended 31 December 2017

2 Accounting policies (continued)

2.13 Equity and reserves

Equity comprises the following:

- "Share capital" represents the nominal value of equity shares
- "Share-based payment reserve" represents the provision made to date for share-based payments as detailed in note 17.2
- "Capital contribution" represents the reserve arising on the issue of shares in the ultimate parent, issued in part consideration for acquisitions made by the Company
- "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	**12,584,020**	7,827,928
Europe	**270,831**	952,206
Rest of World	**182,893**	96,795
Total turnover	**13,037,743**	8,876,929

4 Operating profit

This is stated after charging/(crediting):

	2017	2016
	£	£
Gain on reversal of impairment/(loss) on impairment of trade debtors	**11,983**	(17,502)
Impairment loss on stock	**20,000**	-
Depreciation of owned tangible fixed assets	**59,616**	74,658
Profit on sale of tangible fixed assets		(2,794)
Operating lease rentals		
– land and buildings	**110,621**	9,600
– other	**35,774**	9,298
Repairs and maintenance expenditure on tangible fixed assets	**32,145**	22,265

Auditor's remuneration

Audit fees are borne by another group undertaking

Notes to the Financial Statements
for the year ended 31 December 2017

5 Staff costs and Directors' remuneration

	2017	2016
	£	£
Staff costs		
Wages and salaries	**1,691,800**	1,295,058
Social security costs	**138,331**	124,797
Contributions to defined contribution pension plans	**76,192**	61,121
Share-based payments	**15,657**	21,514
Total staff costs	**1,921,980**	1,502,490

The average number of employees of the Company (including Directors) during the year was:

	2017	2016
	Number	Number
Assembly and distribution	**42**	35
Administration	**28**	22
Total number	**70**	57

	2017	2016
	£	£
Directors' remuneration		
Remuneration	**116,000**	114,000
Contributions to defined contribution pension plans	**8,400**	8,200
Benefits in kind	**15,873**	7,014
Total Directors' remuneration	**140,273**	129,214

During the year two Directors *(2016: two)* participated in defined contribution pension schemes. No Directors participated in defined benefit schemes *(2016: none).*

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

	2017	2016
	£	£
Highest paid Director's remuneration		
Remuneration	**60,000**	60,000
Contributions to defined contribution pension plans	**3,600**	3,600
Benefits in kind	**9,414**	1,685
Total highest paid Director's remuneration	**73,014**	65,285

Notes to the Financial Statements
for the year ended 31 December 2017

6 Interest payable and similar cost

	2017	2016
	£	£
Interest payable and similar cost		
Interest on CID and stock loan facilities	**27**	-
Imputed interest on contingent consideration	**37,633**	-
Finance charges payable in respect of finance leases	**-**	1,460
Total interest payable and similar cost	**37,660**	1,460

7 Taxation

a) Tax charged in the income statement

	2017	2016
	£	£
Current tax		
UK corporation tax payable	**97,131**	59,305
Adjustment in respect of prior year	**1,670**	(11,392)
Total current tax	**98,801**	47,913
Deferred tax		
Origination and reversal of temporary differences	**15,697**	6,755
Adjustments in respect of prior year	**5,777**	7,275
Change in tax rate	**-**	524
Total deferred tax	**21,474**	14,554
Total tax expense	**120,275**	62,467

b) *Reconciliation of the total tax charge*

The tax assessed in the income statement for the year 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	**641,527**	251,031
Tax calculated at the UK standard rate of corporation tax of 19.25% (2016: 20.00%)	**123,494**	50,206
Impact of change in tax rate	**(2,145)**	21
Amounts not taxable		-
Effect of share option exercises	**(42,369)**	
Amounts not deductible	**33,850**	16,537
Adjustments in respect of prior periods	**7,445**	(4,117)
Group relief		-
Total tax expense	**120,275**	62,467

Notes to the Financial Statements
for the year ended 31 December 2017

7 Taxation (continued)

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	-	11,220	**(4,696)**	-
Employee benefits	**1,385**	7,871	-	-
Provisions	**6,034**	5,106	-	-
Tax assets	**7,419**	24,197	**(4,696)**	-
Net deferred tax asset	**2,723**	24,197	**(4,696)**	-

e) Movement in deferred tax during the year ended 31 December 2017

	1 January 2017	Recognised in income	**31 December 2017**
	£	£	**£**
Tangible fixed assets	11,220	(15,916)	**(4,696)**
Employee benefits	7,871	(6,486)	**1,385**
Provisions	5,106	928	**6,034**
	24,197	(21,474)	**2,723**

8 Dividends paid and proposed

	2017	2016
	£	£
Declared and paid during the year		
Equity dividends of £1,750 per A ordinary share *(2016: £5,000)*	**175,000**	500,000
Total dividends paid	**175,000**	500,000

No dividends are proposed at the end of the period.

Notes to the Financial Statements
for the year ended 31 December 2017

9 Fixed asset investments

	Investments in subsidiary undertakings £
Cost and net book value at 1 January 2017	-
Acquisitions	12,171,177
Cost and net book value at 31 December 2017	**12,171,177**

On 20 January 2017, the Company acquired 100% of the ordinary shares in Hydraulics and Transmissions Limited.

On 23 June 2017, the Company acquired 100% of the ordinary shares in Hi-Power Limited.

On 7 September 2017, the Company acquired 100% of the ordinary shares in The Hydraulic Group BV and its trading subsidiaries Hydroflex-Hydraulics BV, Hydroflex-Hydraulics Rotterdam BV and Hydroflex-Hydraulics Belgium NV.

On 11 October 2017, the Company acquired 100% of the ordinary shares in Group HES Limited, and its dormant subsidiaries Hydraulic Equipment Supermarkets Limited, Branch Hydraulic Systems Limited, HES Tractec Limited, HES Lubemec Limited and HES Automatec Limited.

Details of subsidiary undertakings

	Principal activity	Holding	Country of *incorporation*
Hydraulics and Transmissions Limited	Assembly and distribution of engineering components	100%	UK
Hi-Power Limited	Assembly and distribution of engineering components	100%	ROI
The Hydraulic Group BV	Holding Company	100%	Netherlands
Group HES Limited	Assembly and distribution of engineering components	100%	UK

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

Notes to the Financial Statements
for the year ended 31 December 2017

10 Intangible fixed assets
The movements in the net carrying value of goodwill are as follows:

	2017 £
Gross carrying value	
At 1 January 2017	
Additions	**3,056**
At 31 December 2017	**3,056**
Accumulated impairment	
At 1 January 2017	-
Charge for year	-
At 31 December 2017	-
Carrying amount at 31 December 2017	**3,056**

The goodwill relates to the acquisition of the trade and certain assets of Hi-Power Hydraulics Limited, see note 19.1.

11 Tangible fixed assets

	Property £	Plant, machinery & equipment £	Fixtures, fittings & office equipment £	Motor vehicles £	Computer equipment £	Total £
Cost						
At 1 January 2017	1,386,107	890,300	629,526	241,892	733,697	3,881,522
Additions	-	6,479	-	-	-	6,479
Acquired through business combinations	-	2,803	67,700	-	7,652	78,155
Disposals	-	(2,045)	-	-	-	(2,045)
At 31 December 2017	**1,386,107**	**897,537**	**697,226**	**241,892**	**741,349**	**3,964,111**
Depreciation						
At 1 January 2017	295,249	791,897	629,526	205,141	705,308	2,627,121
Charge for year	26,111	10,673	1,349	8,556	12,927	59,616
Released on disposal	-	(233)	-	-	-	(233)
At 31 December 2017	**321,360**	**802,337**	**630,875**	**213,697**	**718,235**	**2,686,504**
Net book value						
At 31 December 2017	**1,064,747**	**95,200**	**66,351**	**28,195**	**23,114**	**1,277,607**
At 31 December 2016	1,090,858	98,403	-	36,751	28,389	1,254,401

Notes to the Financial Statements

for the year ended 31 December 2017

12 Stocks

	2017	2016
	£	£
Finished goods and goods for resale	**3,362,744**	1,477,715

Changes in finished goods recognised as cost of sales in the year amounted to £8,675,275 *(2016: £6,107,120)*. The provision made against stock at the reporting date was £819,116 *(2016: £1,629,331)*. A further provision was made during the year for £20,000 *(2016: none)* and reversals of £830,215 *(2016: nil)* occurred. The write-downs and reversals are included in cost of sales.

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	**4,033,359**	1,742,062
Prepayments and accrued income	**40,735**	20,697
Amounts owed by group undertakings	**1,610,253**	4,564,026
Total trade and other debtors	**5,684,347**	6,326,785

14 Cash and cash equivalents

	2017	2016
	£	£
Cash and cash equivalents:		
Sterling	**618,333**	571,845
Euro	**109,975**	6,439
Dollar	-	37,010
Total cash and cash equivalents	**728,308**	615,294

15 Trade and other creditors

	2017	2016
	£	£
Current:		
Trade creditors	**2,635,172**	1,095,201
Social security and other taxes	**449,105**	318,688
Other creditors	**416,814**	143,235
Accruals and deferred income	**131,521**	45,089
Amounts owed to other group undertakings	**9,063,018**	1,646,796
Total trade and other creditors	**12,695,630**	3,249,009

Notes to the Financial Statements
for the year ended 31 December 2017

16 Deferred and contingent consideration

	2017 £	2016 £
Current liabilities:		
Contingent consideration	**1,254,390**	-
Total current liabilities	**1,254,390**	-
Non-current liabilities		
Contingent consideration	**1,282,485**	
Total non-current liabilities	**1,282,485**	
Total deferred and contingent consideration	**2,536,875**	-

Contingent consideration of £1,641,334 relates to amounts due to the former shareholders of Hydraulics and Transmissions Limited and is payable in two instalments over the next two years. The consideration is based on profit targets for HTL's customer base. The fair value of £1,641,334 has been calculated using management forecasts of HTL's performance discounted at the weighted average cost of capital.

Contingent consideration of £895,541 relates to amounts due to the former shareholders of Hi-Power Limited and is payable in two instalments over the next two years. The consideration is based on profit targets for Hi-Power Limited's customer base. The fair value of £895,541 has been calculated using management forecasts of Hi-Power Limited's performance discounted at the weighted average cost of capital.

17 Financial instruments

17.1 Interest rate risk

At the reporting date the Company held no interest-bearing financial instruments.

17.2 Foreign currency risk

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

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

	Sterling £	Euro £	US Dollar £	Total £
31 December 2017				
Cash and cash equivalents	618,333	109,975	-	**728,308**
Trade and other debtors	3,854,811	151,708	26,840	**4,033,359**
Trade creditors	(1,234,777)	(1,366,873)	(33,522)	**(2,635,172)**
Net exposure	**3,238,367**	**(1,105,190)**	**(6,682)**	**2,126,495**

Notes to the Financial Statements
for the year ended 31 December 2017

17 Financial instruments (continued)

	Sterling	Euro	US Dollar	Total
	£	£	£	£
31 December 2016				
Cash and cash equivalents	571,845	6,439	37,010	**615,294**
Trade and other debtors	1,677,232	64,830	-	**1,742,062**
Trade creditors	(444,438)	(517,932)	(132,831)	**(1,095,201)**
Net exposure	**1,804,639**	**(446,663)**	**(95,821)**	**1,262,155**

17.3 Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's 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:

	2017	2016
	£	£
UK	**3,918,604**	1,616,986
Europe	**60,599**	51,984
Rest of World	**54,156**	73,092
Total	**4,033,359**	1,742,062

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	**3,296,043**	**(13,291)**	1,646,853	(6,252)
Past due 0 – 30 days	**621,620**	**(3,189)**	96,922	(1,098)
More than 30 days	**151,190**	**(41,334)**	19,878	(14,241)
Total	**4,068,853**	**(57,814)**	1,763,653	(21,591)

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.

Notes to the Financial Statements
for the year ended 31 December 2017

17 Financial instruments (continued)

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:

	2017	2016
	£	£
Balance at 1 January	**21,591**	44,045
Provision utilised	**(7,279)**	(4,952)
Acquisitions	**31,519**	-
Increase/(release) of provision	**11,983**	(17,502)
Balance at 31 December	**57,814**	21,591

17.4 Liquidity risk

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.

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 2017	**£**	£	£	£
Non-derivative financial liabilities:				
Trade and other creditors	**2,635,172**	2,635,172	-	-
Total	**2,635,172**	2,635,172	-	-

	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	1,095,201	1,095,201		
Total	1,095,201	1,095,201		

There are no contractual maturities over five years.

Notes to the Financial Statements
for the year ended 31 December 2017

18 Acquisitions and disposals

18.1 Acquisition of Hydraulics and Transmissions Limited

On 20 January 2017, the Company acquired 100% of the share capital of Hydraulics and Transmissions 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	30,922	-	30,922
Intangible fixed assets	321,862	(321,862)	-
Stocks	1,225,679	(80,581)	1,145,098
Trade and other debtors	1,019,012	(22,320)	996,692
Cash and cash equivalents	(1,010,130)	-	(1,010,130)
Trade and other creditors	(1,456,489)	-	(1,456,489)
Current tax balances	(45,102)	-	(45,102)
Deferred tax liability	(5,016)	-	(85,836)
Total net assets	**80,738**	**(424,763)**	**(344,025)**

	£
Fair value of consideration paid	
Amount settled in cash	830,226
Fair value of contingent consideration	1,641,334
Stamp duty	19,260
Total consideration	**2,490,820**

18.2 Acquisition of Hi Power Limited

On 23 June 2017, the Company acquired 100% of the share capital of Hi-Power Limited, a ROI 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	108,270	(8,143)	100,127
Stocks	1,319,702	(31,497)	1,288,205
Trade and other debtors	1,819,228	(111,754)	1,707,474
Cash and cash equivalents	185,455	-	185,455
Finance leases	(15,685)	-	(15,685)
Trade and other creditors	(1,605,086)	-	(1,605,086)
Current tax balances	(26,198)	-	(26,198)
Deferred tax liability	(198)	-	(198)
Total net assets	**1,785,488**	**(151,394)**	**1,634,094**

Notes to the Financial Statements
for the year ended 31 December 2017

18 Acquisitions and disposals (continued)

18.2 Acquisition of Hi Power Limited

	£
Fair value of consideration paid	
Amount settled in cash	1,610,837
Fair value of contingent consideration	895,541
Stamp duty	31,513
Total consideration	**2,537,891**

18.3 Acquisition of The Hydraulic Group BV

On 7 September 2017, the Company acquired 100% of the share capital of The Hydraulic Group BV, a Netherlands based group, 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 £
Investments	387,032	(387,032)	-
Tangible fixed assets	224,725	-	224,725
Stocks	1,031,102	(31,492)	999,610
Trade and other debtors	1,119,230	(173,815)	945,415
Cash and cash equivalents	77,334	-	77,334
Finance leases	(62,138)	-	(62,138)
Trade and other creditors	(1,047,800)	-	(1,047,800)
Current tax balances	6,210	-	6,210
Provisions	-	(102,752)	(102,752)
Total net assets	**1,735,695**	**(695,091)**	**1,040,604**

	£
Fair value of consideration paid	
Amount settled in cash	2,149,333
Amount settled in shares in Flowtech Fluidpower plc	686,813
Amount settled in share options in Flowtech Fluidpower plc	187,285
Total consideration	**3,023,431**

Notes to the Financial Statements
for the year ended 31 December 2017

18 Acquisitions (continued)

18.4 Acquisition of Group HES Limited

On 11 October 2017, the Company acquired 100% of the share capital of Group HES Limited, a UK based group, 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	573,889	(25,838)	548,051
Stocks	3,093,245	(200,000)	2,893,245
Trade and other debtors	2,941,686	(27,391)	2,914,295
Cash and cash equivalents	319,879	-	319,879
Bank loans and overdrafts	(1,042,099)	-	(1,042,099)
Finance leases	(28,389)	-	(28,389)
Trade and other creditors	(3,668,813)	-	(3,668,813)
Current tax balances	(25,361)	-	(25,361)
Provisions	-	(90,000)	(90,000)
Deferred tax liability	(84,940)	-	(84,940)
Total net assets	**2,079,097**	**(343,229)**	**1,735,868**

	£
Fair value of consideration paid	
Amount settled in cash	3,090,000
Issue of shares	1,000,000
Stamp duty	29,035
Total consideration	**4,119,035**

19 Transfer of trade and assets

19.1 Transfer of the trade and assets of Hi-Power Hydraulics Limited

On 30 June 2017, the Group acquired certain trade and assets of Hi-Power Hydraulics Limited, a UK division of Hi-Power Limited which was acquired on 23 June 2017 (see note 18.2).

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

	Book value £	Fair value adjustment £	Provisional fair value £
Fixed assets	20,379	(13,900)	6,479
Stocks	370,032	(35,000)	335,032
Total net assets	**390,411**	**(48,900)**	**341,511**

Notes to the financial statements
for the year ended 31 December 2016

19 Transfer of trade and assets (continued)

19.1 Transfer of the trade and assets of Hi-Power Hydraulics Limited

	£
Fair value of consideration paid	
Amount settled in cash	344,567
Total consideration	**344,567**
Less net assets acquired	(341,511)
Goodwill on acquisition (note 10)	**3,056**

Fair values are provisional as subject to management estimations at the reporting date.

Consideration transferred

Hi-Power Hydraulics Limited was acquired on 30 Jue 2017 for cash consideration of £344,567.

Fair value adjustments

The value of property, plant and equipment has been decreased by £13,900 to reflect the alignment of the useful life review policy with that of the Company.

The value of inventories has been decreased by £35,000 to reflect the alignment of stock valuation methods with that of the Company.

19.2 Transfer of the trade and assets of Hydraulics and Transmissions Limited

On 30 June 2017 the Company acquired the entire trade, assets and liabilities of Hydraulics and Transmission Limited, a subsidiary of the Company, as noted below:

	Book value £
Fixed assets	78,156
Stocks	1,111,448
Trade and other debtors	1,303,506
Cash and cash equivalents	1,475,452
Trade and other creditors	(3,977,788)
Current tax balances	(45,102)
Deferred tax liabilities	(5,016)
Total net assets	**(59,344)**
Purchase consideration – intercompany loan	**(59,344)**

Notes to the financial statements

for the year ended 31 December 2016

19 Transfer of trade and assets (continued)

19.3 Transfer of the trade and assets of Group HES Limited

On 31 December 2017 the trade and assets of Group HES Limited were hived up to the Company.

	Book value £
Fixed assets	564,891
Stocks	3,183,880
Trade and other debtors	1,851,191
Cash and cash equivalents	235,074
Trade and other creditors	(3,958,764)
Finance leases	(20,768)
Current tax balances	10,646
Deferred tax liabilities	(84,940)
Provisions	(90,000)
Total net assets	**1,691,210**
Purchase consideration – intercompany loan	**1,691,210**

20 Authorised, issued and called up share capital

	2017 **£**	2016 £
Authorised, allotted, issued and fully paid:		
Ordinary shares of £1 each	**100**	100

	Number	£
Authorised, allotted, issued and fully paid ordinary shares of £1 each		
At 1 January 2017	100	100
At 31 December 2017	**100**	**100**

Notes to the Financial Statements

for the year ended 31 December 2017

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 £76,192 *(2016: £61,121).*

21.2 Share-based payments

Certain Company employees have received share options granted by the Group's share option plans, further details of which are disclosed in the consolidated financial statements of the ultimate parent company Flowtech Fluidpower plc.

In total £15,657 *(2016: £21,514)* of employee remuneration expenses all of which related to equity-settled share-based payment transactions has been included in the Income Statement.

22 Operating lease commitments

Non-cancellable operating leases rentals are payable as follows:

	2017	2016
	£	£
Expiring:		
In one year or less	**97,350**	24,739
Between one and five years	**252,554**	48,807
More than five years	**142,500**	-
Total	**492,404**	73,546

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 2017, the property lease period is less than three 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	**54,600**	9,600	**42,750**	15,139
Between one and five years	**225,000**	9,600	**27,554**	39,207
More than five years	**142,500**	-	**-**	-
Total	**422,100**	19,200	**70,304**	54,346

During the year £146,396 *(2016: £18,898)* 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 2017

23 Capital commitments

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

24 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 £19,000,001 (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.

25 Subsequent events

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

26 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.

27 Ultimate group undertaking

The Company is a subsidiary undertaking of PMC 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.