

HPC plc

Annual Report

for the year ended 31 August 2016

Registered in England no: 622352

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HPC plc

Annual Report for the year ended 31 August 2016

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HPC plc

Strategic report for the year ended 31 August 2016

Company number: 622352

HPC plc is a privately owned company whose business is predominantly the production, distribution and servicing of air compressors and ancillary equipment and the provision of sub-contract precision engineering services.

Business review

	2016	2015
	£'000	£'000
Turnover	40,540	46,377
Profit before tax	3,098	2,124

The reduction of turnover during the year reflected the decision to withdraw from low margin manufacturing contracts and to focus on improved company profitability.

Future developments

HPC will continue to focus its sub-contract engineering services on long term, mutually profitable relationships with blue-chip manufacturing companies in the UK and internationally. Having successfully exited several low-margin legacy contracts, HPC Precision Engineering is now well placed to develop new opportunities and enhance future profits. HPC Compressed Air Systems continues to grow its nationwide business and its international partnership with Kaeser Kompressoren who share the same philosophy of low life-cycle costs and reliable compressed air availability.

Key performance indicators

	2016	2015
	£'000	£'000
Cash at hand and in bank	4,133	3,460
Cash inflow from operating activities	5,658	3,320
Return on capital employed	36.4%	19.2%

Financial risk management

The company enters into short term forward currency contracts to match its supplier payments with rates of exchange agreed with customers. None were in place at 31 August 2016 (2015: £127,000).

HPC is, to a large degree, naturally hedged in its exposure to foreign currency, although this will be kept under constant review, particularly as the implications of the UK's exit from the European Union become better understood.

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Strategic report (continued)

Credit risk

Credit risk arises from cash and cash equivalents, deposits with banks as well as exposures to customers, including outstanding receivables and committed transactions. The company only uses banks with a minimum 'A' rating. A credit referencing agency is used to assess new and existing customers and limits are agreed by the Company Secretary and relevant Director. These are kept under review in light of trading experience. Any such risk is also mitigated by the company's extensive and diverse customer base.

By order of the board



Ian Curtis
Director

22 February 2017

HPC plc

Directors' report for the year ended 31 August 2016

Company number: 622352

The directors present their report and the audited financial statements of the company for the year ended 31 August 2016.

Business review, future developments and financial risk management of the company can be found in the Strategic report on pages 2 to 3.

Segmental information

In the opinion of the directors, the disclosure of segmental information would be seriously prejudicial to the interests of the company and has therefore not been provided.

Research and development

The company's Precision Engineering division undertakes work required to develop new and enhanced products and processes, normally centred on resolving technical challenges. The work involved advances HPC's, the suppliers' and the customers' knowledge and capability.

Results and dividends

The company's profit after tax for the financial year is £2,646,000 (2015: £1,697,000). The directors have recommended the following dividends in respect of the years ended 31 August 2016 and 31 August 2015:

	2016 £'000	2015 £'000
'A' ordinary dividends paid	4,663	1,650

To enable payment of the above dividends, £2,017,000 for the financial year was transferred from the company's reserves. (2015: £47,000 was transferred to the company's reserves).

Directors and their interests

The directors who were in office during the year and up to the date of signing the financial statements were:

Ian Curtis
Ulrika Dadley (appointed 3rd October 2016)
James Hunter
Jason Morgan
Ian Ratcliff (appointed 14th July 2016)
Trevor Stott

Other directors during the year were:

Neil Hunter (resigned 17th June 2016)

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Directors' report (continued)

Ulrika Dadley was appointed a director and Company Secretary on 3rd October 2016.

In accordance with the company's articles of association, James Hunter retired and, being eligible, offers himself for re-election.

At 31 August 2016, the directors had no beneficial interests in the share capital of the company. The company is a wholly owned subsidiary of Lilac Limited, a company registered in England and Wales. The majority shareholder in Lilac Limited is Ian Curtis, who the directors consider to be the ultimate controlling party.

Independent Auditors

The auditors, PricewaterhouseCoopers LLP have indicated their willingness to continue in office and a resolution to reappoint PricewaterhouseCoopers LLP, as auditors of the company, will be proposed at the annual general meeting.

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 the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards, including FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

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Directors' report (continued)

Directors' indemnity statement

As permitted by the Articles of Association, the directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force.

Disclosure of information to auditors

Each person who was a director in office at the date of this report was approved confirms, as required by Section 418 of the Companies Act 2006, that to the best of his/her knowledge and belief:

- there is no significant information known to the director relevant to the audit, of which the company's auditors are unaware; and
- each director has taken reasonable steps to make him/her aware of such information as a director and to establish that the company's auditors are aware of that information.

By order of the board



Ulrika S. Dadley
Company Secretary

23 February 2017

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Independent auditors' report to the members of HPC plc

Report on the financial statements

Our opinion

In our opinion, HPC plc's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 August 2016 and of its profit and cash flows 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.

What we have audited

The financial statements, included within the Annual Report, comprise:

- the statement of financial position as at 31 August 2016;
- the income statement and statement of comprehensive income for the year then ended;
- the statement of cash flows for the year then ended;
- the statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

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

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, 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.

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Report on the financial statements (continued)

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of directors' responsibilities set out on page 5, 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) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error.

Report on the financial statements (continued)

What an audit of financial statements involves (continued)

This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



Matthew Haverson (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Gatwick

24 February 2017

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Income statement for the year ended 31 August 2016

	Note	2016 £'000	2015 £'000
Turnover		40,540	46,377
Costs of sales		(26,795)	(32,586)
Gross profit		13,745	13,791
Distribution costs		(782)	(810)
Administrative expenses		(9,864)	(10,804)
Operating profit	4	3,099	2,177
Interest receivable and similar income		3	4
Interest payable and similar charges	5	(1)	(26)
Other financial expense		(3)	(31)
Profit on ordinary activities before taxation		3,098	2,124
Tax on profit on ordinary activities	8	(452)	(427)
Profit for the financial year		2,646	1,697

All of the operations of the company are continuing.

There is no difference between the profit on ordinary activities before taxation and the profit for the year stated above and their historical cost equivalents.

Statement of comprehensive income for the year ended 31 August 2016

	Note	2016 £'000	2015 £'000
Profit for the financial year		2,646	1,697
Actuarial loss on pension scheme	18	(3,833)	(18)
Movement on deferred tax relating to pension liability		752	(2)
Total comprehensive (loss)/income recognised since last Annual Report		(435)	1,677

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Statement of financial position at 31 August 2016

	Note	2016 £'000	2015 £'000
Tangible fixed assets	10	5,189	6,252
Current assets			
Stocks	11	3,670	3,786
Debtors: amounts falling due within 1 year	12	7,815	9,735
Debtors: amounts falling due after more than 1 year	12	59	84
Cash at bank and in hand		4,133	3,460
		15,677	17,065
Creditors: amounts falling due within one year	13	(10,397)	(10,355)
Net current assets		5,280	6,710
Total assets less current liabilities		10,469	12,962
Creditors: amounts falling due after more than one year	14	(1,521)	(1,423)
Net assets excluding pension liability		8,948	11,539
Pension liability	18	(2,988)	(481)
Net assets including pension liability		5,960	11,058
Capital and reserves			
Called up share capital	16	100	100
Profit and loss account		5,270	10,368
Capital redemption reserve		590	590
Total shareholders' funds		5,960	11,058

The financial statements on pages 10 to 27 were approved by the Board of Directors on 22 February 2017 and were signed on its behalf by:



Ian Curtis – Director
HPC plc

Registered No: 00622352

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Statement of changes in equity for the year ended 31 August 2016

Movements in shareholders' funds	Called up share capital £'000	Profit and Loss account £'000	Capital Redemption reserve £'000	Total £'000
Balance as at 1 September 2014	100	10,341	590	11,031
Total comprehensive income for the financial year	-	1,677	-	1,677
Dividends paid	-	(1,650)	-	(1,650)
Balance as at 31 August 2015	100	10,368	590	11,058
Balance as at 1 September 2015	100	10,368	590	11,058
Total comprehensive loss for the financial year	-	(435)	-	(435)
Dividends paid	-	(4,663)	-	(4,663)
Balance as at 31 August 2016	100	5,270	590	5,960

Statement of cash flows for the year ended 31 August 2016

	Note	2016 £'000	2015 £'000
Net cash inflow from operating activities	(a)	5,658	3,320
Returns on investments and servicing of finance			
Interest received		3	4
Interest paid		(1)	(26)
Net cash inflow / (outflow) from returns on investments and servicing of finance		2	(22)
Taxation			
Corporation tax paid		(286)	(576)
Capital expenditure			
Purchase of tangible fixed assets		(73)	(1,412)
Sale of tangible fixed assets		35	63
Net cash outflow from capital expenditure		(38)	(1,349)
Equity dividends paid		(4,663)	(1,650)
Net cash inflow / (outflow) before use of liquid resources		673	(277)
Management of liquid resources			
Decrease / (increase) in treasury call account		2,995	(50)
Decrease/(increase) in cash		3,668	(327)

HPC plc includes as liquid resources term deposits of less than a year.

Notes to the statement of cash flows for the year ended 31 August 2016

a) Reconciliation of operating profit to net cash inflow from operating activities

	2016 £'000	2015 £'000
Operating profit	3,099	2,177
Profit on sale of fixed assets	(19)	(62)
Depreciation – owned assets	1,120	1,590
Difference between pension charge and cash contributions	(718)	(849)
Decrease in stocks	116	1,653
Decrease in debtors	1,920	2,438
Increase / (decrease) in creditors	140	(3,627)
Net cash inflow from operating activities	5,658	3,320

b) Reconciliation of net cash flow to movement in net funds

	2016 £'000	2015 £'000
Increase / (decrease) in cash in the year	3,668	(327)
Cash (outflow)/ inflow from change in liquid resources	(2,995)	50
Movement in borrowings	-	24
Movement in the year	673	(253)
Net funds at 1 September	2,559	2,812
Net funds at 31 August	3,232	2,559

c) Analysis of net funds

	31 August 2015 £'000	Cash Flow £'000	31 August 2016 £'000
Net cash			
Cash at bank and in hand	3,460	673	4,133
Less: deposits treated as liquid resources	(2,995)	2,995	-
	465	3,668	4,133
Liquid resources:			
Deposits included in cash	2,995	(2,995)	-
Debt:			
Debts falling due after one year	(901)	-	(901)
Net funds	2,559	673	3,232

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

1 General information

HPC plc (“the company”) is a privately owned company whose business is predominantly the production, distribution and servicing of air compressors and ancillary equipment and the provision of sub-contract precision engineering services.

The company is a public limited company and is incorporated in England. The address of its registered office is Victoria Gardens, Burgess Hill, West Sussex, RH15 9RQ.

2 Statement of compliance

The financial statements of HPC plc have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, “The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland” (“FRS102”) and the Companies Act 2006. Details of the transition and impact on the accounts is included in note 22.

3 Principal accounting policies

A summary of the more important accounting policies, which have been applied consistently, is set out below.

Basis of accounting

These financial statements are prepared on the going concern basis, under the historical cost convention and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. The principal accounting policies, which have been applied consistently throughout the year, are set out below.

Turnover

Turnover represents the value of services and goods supplied to customers excluding value added tax and trade discounts. Turnover is recognised when risks and rewards are transferred to the customer based on agreement terms (either on despatch or delivery). In relation to the supply of services, turnover is recognised on a pro rata basis over the period in which the services are performed. For equipment leased to customers under finance leases, the revenue is recognised immediately, together with the cost of the equipment and treated as a finance lease arrangement. Finance lease interest is recognised over the primary period of the lease so as to produce a constant rate of return on the net cash investment. Any amounts invoiced to customers in advance of delivery of goods or the provision of a service are included within deferred income and recognised as turnover when the goods or the service are provided to the customer.

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Notes to the financial statements (continued)

3 Principal accounting policies (continued)

Operating leases

Rentals paid under operating leases are charged to the profit and loss account as incurred.

Stocks and work in progress

Materials stocks have been valued at the lower of cost or net realisable value. Work in progress and finished goods have been stated at the lower of cost of materials, labour and works overhead and net realisable value. Provision is made for obsolete, slow-moving and defective stock.

Research and development

Research and development expenditure is charged to the profit and loss account in the year in which it is incurred.

Depreciation of tangible fixed assets

The cost of tangible fixed assets is the purchase cost together with any incidental costs of acquisition. Depreciation is charged on a straight-line basis, to write off the cost of fixed assets over their estimated useful lives as follows:

Freehold land and buildings	-	Not depreciated
Long leasehold buildings	-	Over the lease term or the life of the building if shorter
Short leasehold buildings	-	25 years or the lease term if less than 25 years
Building improvements	-	20 years or lease term if less than 20 years
Plant & equipment	-	Between 3 and 10 years
Motor vehicles	-	4 years

Deferred taxation

Provision is made for deferred taxation using the incremental liability approach and is measured on a non-discounted basis at the tax rates that are expected to apply in the periods in which the timing differences reverse, based on tax rates and laws substantively enacted at the balance sheet date.

Deferred tax is recognised in respect of the timing differences that have originated but not reversed by the balance sheet date subject to the following:

- a) Deferred tax assets are recognised to the extent that they are regarded as recoverable. Assets are regarded as recoverable when it is considered more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing difference can be deducted.
- b) Deferred tax is not recognised on permanent differences.

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Notes to the financial statements (continued)

3 Principal accounting policies (continued)

Foreign currencies

Foreign currency monetary assets and liabilities are translated at the rates of exchange ruling at the balance sheet date except for those assets and liabilities covered by forward or commercial foreign exchange arrangements where the relevant rate is used. Foreign currency transactions during the year are translated at the rate ruling on the date of the transaction or at the rate specified in the forward contract covering the transaction. All foreign exchange differences are taken to the profit and loss account in the year in which they arise.

Pension costs

The company operates a career average defined benefit pension scheme with assets held in a separately administered fund. The scheme assets are measured using closing market values. Pension scheme liabilities are measured using the projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability.

The increase in the present value of the liabilities of the defined benefit scheme expected to arise from employee service in the year is charged to operating profit. The change in net value of the scheme's assets and liabilities, arising from the passage of time, are included in other financial (expense) / income. At present, the defined benefit scheme is partially funded. Actuarial gains and losses are recognised in the statement of comprehensive income.

The company also operates a defined contribution pension scheme.

Provisions

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount of the obligation can be estimated reliably.

Cash at bank and in hand

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. The company does not operate a bank overdraft.

Called up share capital

Ordinary shares are classified as equity.

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Notes to the financial statements (continued)

3 Principal accounting policies (continued)

Critical accounting judgements and estimation uncertainty

No new shares have been issued. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances

Defined benefit pension scheme (note 18)

The company has obligations to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors, including life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. Management estimates these factors in determining the net pension obligation in the balance sheet. The assumptions reflect historical experience and current trends.

4 Operating profit

	2016 £'000	2015 £'000
Profit on ordinary activities before taxation is stated after charging/(crediting):		
Staff costs - wages and salaries	6,649	6,984
- social security costs	686	734
- CSC of defined benefit pension (note 18)	292	321
- other pension costs	554	166
Total staff costs	8,181	8,205
Depreciation of owned assets	1,120	1,590
Operating lease charges – land and buildings	417	417
Operating lease charges – other	113	146
Profit on sale of fixed assets	(19)	(62)
Services provided by the company's auditor		
Fees payable for the audit	34	34
Fees payable for other services – tax compliance	6	11

Included within administration expenses is research and development totalling £114,000 (2015 : £188,000).

Other pension costs include £91,000 (2015: £102,000) in respect of company contributions to the defined contribution scheme and £73,000 (2015: £64,000) for regulatory and administrative costs.

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Notes to the financial statements (continued)

5 Interest payable and similar charges

	2016 £'000	2015 £'000
Interest payable	<u>1</u>	<u>26</u>

Interest payable in prior year related to a loan which was repaid during that year.

6 Directors' emoluments

	2016 £'000	2015 £'000
Aggregate emoluments	<u>654</u>	<u>680</u>
	<u>654</u>	<u>680</u>

Retirement benefits are accruing to one director (2015: two) under a defined contribution scheme.

	2016 £'000	2015 £'000
Emoluments payable to the highest paid director are as follows:		
Aggregate emoluments	<u>231</u>	<u>267</u>
	<u>231</u>	<u>267</u>

The highest paid director is not a member of the pension scheme.

7 Employees

The average monthly number of employees (including executive directors) of the company during the year was:

Category of employees	Number of employees	
	2016	2015
Production	134	144
Administration	96	102
	<u>230</u>	<u>246</u>

The highest paid director is not a member of the pension scheme.

HPC plc

Notes to the financial statements (continued)

8 Tax on profit on ordinary activities

	2016 £'000	2015 £'000
Profit and loss account		
United Kingdom tax based on the results for the year:		
UK corporation tax on profits of the year	506	167
Adjustment in respect of previous years	(143)	25
Total current tax	363	192
Deferred tax		
Rate change	-	(6)
Adjustment in relation defined benefit pension contributions	170	158
Origination and reversal of timing differences	(81)	83
Total deferred tax	89	235
Tax on profit on ordinary activities	452	427
Factors affecting the tax charge for the year		
The tax assessed for the year is lower (2015: lower) than the standard effective rate of corporation tax in the UK for the year ended 31 August 2016 of 20% (2015: 20.58%). The differences are explained below:		
Profit on ordinary activities before taxation	3,098	2,124
Profit on ordinary activities multiplied by standard rate of tax in the UK 20 % (2015: 20.58%)	620	437
Effects of:		
Expenses not allowable	3	2
Research and development tax credits	(28)	(37)
Adjustment to tax charge in respect of previous periods	(143)	25
Total tax charge for the year	452	427
Balance sheet		
Asset for deferred taxation		
Opening deferred tax asset	(8)	(245)
Comprised of:		
Deferred tax liability at start of year recognised in creditors	112	35
Deferred tax asset at start of year recognised in pension liability	(120)	(280)
	(8)	(245)
Defined benefit pension adjustment to income statement	170	158
Defined benefit pension adjustment to OCI	(752)	2
Origination and reversal of timing differences	(81)	83
Rate change	-	(6)
	(671)	(8)
Deferred tax liability at end of year recognised in creditors	30	112
Deferred tax asset at end of year recognised in pension liability	(701)	(120)
	(671)	(8)

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Notes to the financial statements (continued)

8 Tax on profit on ordinary activities (continued)

Factors affecting current and future tax charges

As a result of the changes in the UK corporation tax rate to 19%, which was substantively enacted on 26 October 2015 and will be effective from 1 April 2017, the relevant deferred tax balances have been remeasured, subsequently updated to 17% from 2020.

9 Dividends

	2016 £'000	2015 £'000
Dividends on equity shares:		
'A' ordinary dividend paid £54.86 per share (2015: £19.41)	<u>4,663</u>	<u>1,650</u>

10 Tangible fixed assets

	Freehold land and buildings £'000	Long leasehold £'000	Short leasehold £'000	Building improvements £'000	Plant and equipment £'000	Motor vehicles £'000	Total £'000
Cost							
At beginning of year	961	4,100	32	2,165	22,103	1,034	30,395
Reclassification to 31 August 2015	(155)	-	-	325	(170)	-	-
Additions	-	-	-	18	55	-	73
Disposals	-	-	-	-	(1,113)	(178)	(1,291)
At end of year	<u>806</u>	<u>4,100</u>	<u>32</u>	<u>2,508</u>	<u>20,875</u>	<u>856</u>	<u>29,177</u>
At beginning of year	-	3,188	32	538	19,594	791	24,143
Reclassification to 31 August 2015	-	(9)	-	295	(286)	-	-
Charge for the year	-	151	-	120	721	128	1,120
Disposals	-	-	-	-	(1,113)	(162)	(1,275)
At end of year	<u>-</u>	<u>3,330</u>	<u>32</u>	<u>953</u>	<u>18,916</u>	<u>757</u>	<u>23,988</u>
Net book value							
At 31 August 2016	<u>806</u>	<u>770</u>	<u>-</u>	<u>1,555</u>	<u>1,959</u>	<u>99</u>	<u>5,189</u>
Net book value							
At 31 August 2015	<u>961</u>	<u>912</u>	<u>-</u>	<u>1,627</u>	<u>2,509</u>	<u>243</u>	<u>6,252</u>

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Notes to the financial statements (continued)

11 Stocks

	2016 £'000	2015 £'000
Raw materials and consumables	1,404	1,666
Work in progress	622	647
Finished goods and goods for resale	1,644	1,473
	<u>3,670</u>	<u>3,786</u>

12 Debtors

	2016 £'000	2015 £'000
Amounts falling due within one year:		
Trade debtors	7,026	6,713
Other debtors	562	2,709
Corporation tax	75	154
Prepayments and accrued income	152	159
	<u>7,815</u>	<u>9,735</u>

Amounts falling due after more than one year represents amounts due under finance lease arrangements of £59,000 (2015: £84,000).

13 Creditors: amounts falling due within one year

	2016 £'000	2015 £'000
Trade creditors	7,051	6,962
Other creditors	310	331
Deferred tax	30	112
Other taxation and social security	1,010	1,076
Accruals and deferred income	1,996	1,874
	<u>10,397</u>	<u>10,355</u>

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Notes to the financial statements (continued)

14 Creditors: amounts falling due after more than one year

	2016 £'000	2015 £'000
Other creditors	901	901
Accruals and deferred income	620	522
	<u>1,521</u>	<u>1,423</u>

Other creditors include an unsecured, interest-free, non-instalment loan of £901,000 (2015: £901,000) repayable in full after more than 5 years.

15 Financial commitments

The company has annual commitments under non-cancellable operating leases as follows:

	2016		2015	
	Land & buildings £'000	Other £'000	Land & buildings £'000	Other £'000
Expiring in less than 1 year	178	18	71	42
Expiring in 2 to 5 years	28	95	135	104
Expiring after 5 years	211	-	211	-
	<u>417</u>	<u>113</u>	<u>417</u>	<u>146</u>

16 Called up share capital

	2016 £'000	2015 £'000
Authorised:		
Equity shares		
85,000 (2015: 85,000) 'A' ordinary shares of £1 each	85	85
15,000 (2015: 15,000) 'B' ordinary shares of £1 each	15	15
	<u>100</u>	<u>100</u>
Allotted, called up and fully paid		
Equity shares		
85,000 (2015: 85,000) 'A' ordinary shares of £1 each	85	85
15,000 (2015: 15,000) 'B' ordinary shares of £1 each	15	15
	<u>100</u>	<u>100</u>

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Notes to the financial statements (continued)

17 Commitments

At 31 August 2016, the company had no capital commitments (2015: £nil).

At 31 August 2016, the company had no options on forward foreign currency contracts to cover overseas transactions (2015: £127,000).

18 Pension scheme

The valuation used for FRS 102 disclosures has been based on the most recent actuarial valuation at 6 April 2015 and updated by Scottish Widows to take account of the requirements of FRS 102 in order to assess the liabilities of the scheme at 31 August 2016. The equity investments and bonds which are held in plan assets are quoted and are valued at the current bid price.

The main financial assumptions used to calculate scheme liabilities under FRS 102 are:

Mortality assumptions	2016	2015
	Years	Years
Longevity at age 65 for current pensioners		
- Men	21.0	21.0
- Women	22.7	22.8
Longevity at age 65 for future pensioners		
- Men	23.3	23.3
- Women	25.2	25.2
Valuation assumptions	At 31 August	At 31 August
	2016	2015
Discount rate	2.1%	3.8%
Retail price inflation	2.7%	2.8%
Pensions increases at Limited Price Indexation	1.7%	1.8%

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Notes to the financial statements (continued)

18 Pension scheme (continued)

Reconciliation of present value of scheme liabilities

	2016	2015
	£'000	£'000
Opening defined benefit obligation	21,814	22,535
Current service cost	292	321
Interest on obligation	809	810
Actuarial loss / (gain)	6,100	(541)
Benefits paid	(1,023)	(1,311)
Closing defined benefit obligation	<u>27,992</u>	<u>21,814</u>

Reconciliation of fair value of scheme assets

	2016	2015
	£'000	£'000
Opening fair value of plan assets	21,213	21,134
Interest income	806	1,163
Actuarial gain / (loss)	2,267	(943)
Contributions	1,040	1,170
Benefits paid	(1,023)	(1,311)
Closing fair value of plan assets	<u>24,303</u>	<u>21,213</u>

The company expects to contribute £812,000 to this pension plan in the year to 31 August 2017.

Analysis of amount charged to operating profit in respect of defined benefit schemes

	2016	2015
	£'000	£'000
Current service cost	292	321
Net interest expense	3	31
Total operating charge	<u>295</u>	<u>352</u>

Analysis of the amount charged to other finance expense

	2016	2015
	£'000	£'000
Interest on pension scheme liabilities	(809)	(810)
Net return	<u>(809)</u>	<u>(810)</u>

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Notes to the financial statements (continued)

18 Pension scheme (continued)

Analysis of amount recognised in statement of comprehensive income

	2016 £'000	2015 £'000
Actual return less interest income recognised in profit and loss	2,267	(559)
Experience gains arising on the scheme liabilities	61	370
Changes in assumptions underlying the present value of the scheme	(6,161)	171
Actuarial loss recognised in statement of comprehensive income	<u>(3,833)</u>	<u>(18)</u>

Movement in deficit during the year

	2016 £'000	2015 £'000
Deficit in the scheme at the beginning of the year	(601)	(1,401)
Movement in the year:		
Current service cost	(295)	(352)
Contributions	1,040	1,170
Actuarial loss	(3,833)	(18)
Deficit in the scheme at the end of the year	<u>(3,689)</u>	<u>(601)</u>
Related deferred tax asset	701	120
Net pension liability	<u>(2,988)</u>	<u>(481)</u>

History of experience gains and losses

	2016 £'000	2015 £'000	2014 £'000	2013 £'000	2012 £'000
Total market value of plan assets	24,303	21,213	21,134	19,272	17,140
Present value of scheme liabilities	(27,992)	(21,814)	(22,535)	(18,968)	(19,843)
Deficit / (surplus) in the scheme	<u>(3,689)</u>	<u>(601)</u>	<u>(1,401)</u>	<u>304</u>	<u>(2,703)</u>
Experience adjustments on plan assets	2,267	(559)	727	1,166	521
Experience adjustments on plan liabilities	61	370	(230)	(117)	(46)
Amounts recognised in statement of comprehensive income	<u>2,328</u>	<u>(189)</u>	<u>497</u>	<u>1,049</u>	<u>475</u>

Actuarial gains and losses

The cumulative amount of actuarial losses recognised in the statement of comprehensive income is £9,324,000 (2015: £5,491,000).

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Notes to the financial statements (continued)

19 Related party transactions

During the year, Ian Curtis, a director and ultimate controlling party of the group repaid the £2,000,000 loan made to him by the company. At 31 August 2016 £nil (2015: £2,000,000) was outstanding and is included within other debtors.

Lease payments totalling £76,500 (2015: £76,500) were made to the pension plan of Ian Curtis and £144,000 were paid (2015: £144,000) to a trust of which certain family members of Ian Curtis are beneficiaries. These were arm's length transactions made in respect of properties used in the trade of HPC plc.

20 Subsidiary companies

The company has three subsidiaries, HPC Engineering Ltd, HPC Air Compressors Ltd and Kaeser Compressors Ltd, all of them are classified dormant and registered in the UK. They have an aggregate share capital and reserves of £103 and an inter-company debtor from HPC plc of £103.

The financial statements contain information about HPC plc as an individual company and do not contain consolidated financial information as the parent of the group. The company is exempt under s400 of the Companies Act 2006 from the requirements to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its ultimate parent undertaking, Lilac Limited. The consolidated financial statements of Lilac Limited can be obtained from Companies House, Crown Way, Cardiff, CF4 3UZ.

21 Ultimate parent undertaking and controlling party

The immediate and ultimate parent undertaking is Lilac Limited, a company incorporated in England and Wales. Lilac Limited is the smallest and largest group to consolidate the company's financial statements. Ian Curtis, a director of the company, is considered to be the ultimate controlling party.

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Notes to the financial statements (continued)

22 Transition to FRS 102

This is the first year in respect of which the company has prepared its financial statements under FRS 102. The previous financial statements for the year ended 31 August 2015 were prepared under existing UK GAAP. The date of transition to FRS 102 for the company was 1 September 2014. Set out below is a reconciliation from existing UK GAAP to FRS 102 for both total comprehensive income for the year ended 31st August 2015 and total equity as at 31 August 2015.

	£'000
Profit for the financial year as previously reported	2,239
Defined benefit pension scheme adjustment	(463)
Deferred tax on defined benefit scheme adjustment	(79)
Restated profit for the year	<u>1,697</u>
Other comprehensive expense as previously reported	(562)
Defined benefit pension scheme adjustment	463
Deferred tax on defined benefit scheme adjustment	79
Restated other comprehensive expense	<u>(20)</u>
Total comprehensive income under FRS 102	<u>1,677</u>