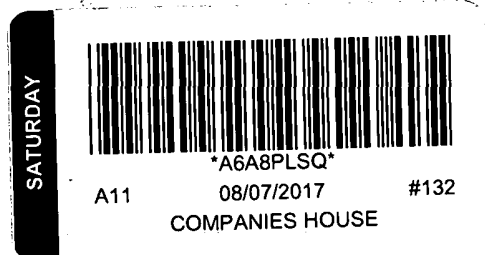


Registered number: 01737504

HYDRAPOWER DYNAMICS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016



HYDRAPOWER DYNAMICS LIMITED

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HYDRAPOWER DYNAMICS LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2016

Introduction

We aim to present a balanced and comprehensive review of the development and performance of our business during the year and its position at the year end. Our review is consistent with the size and non-complex nature of our business and is written in the context of the risks and uncertainties that are faced.

Business review

The year's turnover was as expected. Turnover for the year was £8,727,196 compared with £9,135,995 in 2015. The gross margin has increased to 49.7%. Overall, the company has returned a profit after tax of £539,160 compared with £434,619 in 2015.

The working capital position of the company has improved to £2,335,267 from £1,626,572 in 2015. The directors feel that the strength of the business is its diverse business strategy.

Principal risks and uncertainties

The directors acknowledge responsibility for the company's system of internal financial control and believe the established systems, including the computerisation of the company's financial accounts are appropriate to the business. No material losses or contingencies have arisen during the past twelve months trading period that would require further disclosure by the directors. It is the directors belief that profits earned and retained within the group are sufficient to ensure that the company has adequate resources to continue existing trading policies.

Financial key performance indicators

The financial measures of turnover, gross profit and net profit are considered to be key to monitoring the performance of the company alongside cash flow.

Other key performance indicators

In addition to financial measures, the non-financial measure of product diversity is monitored.

This report was approved by the board on 16 June 2017 and signed on its behalf.



F. Browne
Director

HYDRAPOWER DYNAMICS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2016

The directors present their report and the financial statements for the year ended 31 December 2016.

Directors' responsibilities statement

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

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

- select suitable accounting policies for the Company's financial statements and then apply them consistently;
- make judgments and accounting 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;
- 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 to 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.

Results and dividends

The profit for the year, after taxation, amounted to £539,160 (2015 - £434,619).

An interim dividend of £50,000 (2015: £Nil) was paid during the year, no final dividend is proposed in respect of the year.

Directors

P. Browne
B. McDonough
M. Morran (resigned 18 June 2016)

HYDRAPOWER DYNAMICS LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2016**

Disclosure of information to auditor

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Post balance sheet events

There have been no significant events affecting the Company since the year end.

This report was approved by the board on 16 June 2017 and signed on its behalf.



**P. Browne
Director**

HYDRAPOWER DYNAMICS LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF HYDRAPOWER DYNAMICS LIMITED

We have audited the financial statements of Hydrapower Dynamics Limited for the year ended 31 December 2016, set out on pages 6 to 23. The relevant financial reporting framework that has been applied in their preparation is applicable law and the United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

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

Respective responsibilities of Directors and Auditor

As explained more fully in the Directors' responsibilities statement on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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. 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. In addition, we read all the financial and non-financial information in the Strategic report and the Directors' 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.

Opinion on financial statements

In our opinion the financial statements:

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

HYDRAPOWER DYNAMICS LIMITED

**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF HYDRAPOWER DYNAMICS LIMITED
(CONTINUED)**

Opinion on other matter 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 those financial statements and such reports have been prepared in accordance with applicable legal requirements.

In the light of our 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 and the Directors' report.

Matters on which we are required to report by exception

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

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



Christopher Barlow ACA FCCA (Senior statutory auditor)
for and on behalf of

MHA MacIntyre Hudson
Chartered Accountants
Statutory Auditors
Rutland House
148 Edmund Street
Birmingham
B3 2FD

16 June 2017

HYDRAPOWER DYNAMICS LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016**

	Note	2016 £	2015 £
Turnover	4	8,727,196	9,135,995
Cost of sales		(4,393,421)	(4,783,270)
Gross profit		4,333,775	4,352,725
Distribution costs		(382,095)	(392,506)
Administrative expenses		(3,314,393)	(3,373,829)
Other operating income	5	6,186	1,400
Operating profit		643,473	587,790
Interest payable and expenses	9	(8,708)	(10,832)
Profit before tax		634,765	576,958
Tax on profit	10	(95,605)	(142,339)
Profit for the year		539,160	434,619

There was no other comprehensive income for 2016 (2015:£Nil).

The notes on pages 9 to 23 form part of these financial statements.

HYDRAPOWER DYNAMICS LIMITED
REGISTERED NUMBER: 01737504

BALANCE SHEET
AS AT 31 DECEMBER 2016

	Note	2016 £	2015 £
Fixed assets			
Tangible assets	12	1,880,092	1,944,916
Current assets			
Stocks	13	1,066,100	939,152
Debtors: amounts falling due within one year	14	2,416,558	2,486,035
Cash at bank and in hand	15	511,636	34,687
		<u>3,994,294</u>	<u>3,459,874</u>
Creditors: amounts falling due within one year	16	(1,659,027)	(1,833,302)
Net current assets		<u>2,335,267</u>	<u>1,626,572</u>
Total assets less current liabilities		<u>4,215,359</u>	<u>3,571,488</u>
Creditors: amounts falling due after more than one year	17	(627,157)	(471,127)
Provisions for liabilities			
Deferred tax	19	(31,729)	(33,048)
		<u>(31,729)</u>	<u>(33,048)</u>
Net assets		<u><u>3,556,473</u></u>	<u><u>3,067,313</u></u>
Capital and reserves			
Called up share capital	20	99,022	99,022
Revaluation reserve	21	248,872	250,980
Capital redemption reserve	21	1,005	1,005
Profit and loss account	21	3,207,574	2,716,306
		<u><u>3,556,473</u></u>	<u><u>3,067,313</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 16 June 2017.


P. Browne
Director

The notes on pages 9 to 23 form part of these financial statements.

HYDRAPOWER DYNAMICS LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016**

	Called up share capital	Capital redemption reserve	Revaluation reserve	Profit and loss account	Total equity
	£	£	£	£	£
At 1 January 2016	99,022	1,005	250,980	2,716,306	3,067,313
Profit for the year	-	-	-	539,160	539,160
Dividends: Equity capital	-	-	-	(50,000)	(50,000)
Transfer to/from profit and loss account	-	-	(2,108)	2,108	-
At 31 December 2016	99,022	1,005	248,872	3,207,574	3,556,473

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2015**

	Called up share capital	Capital redemption reserve	Revaluation reserve	Profit and loss account	Total equity
	£	£	£	£	£
At 1 January 2015	99,022	1,005	249,926	2,282,741	2,632,694
Profit for the year	-	-	-	434,619	434,619
Transfer to/from profit and loss account	-	-	1,054	(1,054)	-
At 31 December 2015	99,022	1,005	250,980	2,716,306	3,067,313

The notes on pages 9 to 23 form part of these financial statements.

HYDRAPOWER DYNAMICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

1. General information

Hydrapower Dynamics Limited is a private company limited by shares domiciled in England. Its registered address is St Mark's Street, Birmingham B1 2UN. The principal activity of the company is that of being involved in hydraulic hose production, tube manipulation and general engineering.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Financial reporting standard 102 - reduced disclosure exemptions

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

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.41(b), 11.41(c), 11.41(e), 11.41(f), 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirements of Section 26 Share-based Payment paragraphs 26.18(b), 26.19 to 26.21 and 26.23;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Hydrapower Dynamics International Limited as at 31 December 2016 and these financial statements may be obtained from St Mark's Street, Birmingham B1 2UN.

HYDRAPOWER DYNAMICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

2. Accounting policies (continued)

2.3 Revenue

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the Company and the turnover can be reliably measured. Turnover is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before turnover is recognised:

Sale of goods

Turnover from the sale of goods is recognised when all of the following conditions are satisfied:

- the Company has transferred the significant risks and rewards of ownership to the buyer;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of turnover can be measured reliably;
- it is probable that the Company will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

2.4 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using both the straight-line and reducing balance methods.

Depreciation is provided on the following basis:

Freehold property	-	2% straight line
Plant & machinery	-	10% straight line
Motor vehicles	-	25% straight line
Fixtures & fittings	-	25% reducing balance

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of comprehensive income.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

2. Accounting policies (continued)

2.5 Revaluation of tangible fixed assets

Individual freehold and leasehold properties are carried at current year value at fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are undertaken with sufficient regularity to ensure the carrying amount does not differ materially from that which would be determined using fair value at the Balance sheet date.

Fair values are determined from market based evidence normally undertaken by professionally qualified valuers.

Revaluation gains and losses are recognised in the Statement of comprehensive income unless losses exceed the previously recognised gains or reflect a clear consumption of economic benefits, in which case the excess losses are recognised in profit or loss.

2.6 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a weighted average basis. Work in progress and finished goods include labour and attributable overheads.

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

2.7 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.8 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.9 Financial instruments

The Company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of comprehensive income.

HYDRAPOWER DYNAMICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

2. Accounting policies (continued)

2.10 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.11 Government grants

Grants are accounted under the accruals model as permitted by FRS 102. Grants relating to expenditure on tangible fixed assets are credited to the Statement of comprehensive income at the same rate as the depreciation on the assets to which the grant relates. The deferred element of grants is included in creditors as deferred income.

Grants of a revenue nature are recognised in the Statement of comprehensive income in the same period as the related expenditure.

2.12 Foreign currency translation

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

2.13 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting. Dividends on shares recognised as liabilities are recognised as expenses and classified within interest payable.

2.14 Operating leases

Rentals paid under operating leases are charged to the Statement of comprehensive income on a straight line basis over the lease term.

2.15 Leased assets

Assets obtained under hire purchase contract and finance leases are capitalised as tangible fixed assets. Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives. Assets acquired by hire purchase are depreciated over their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the company. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the Statement of comprehensive income so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

HYDRAPOWER DYNAMICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

2. Accounting policies (continued)

2.16 Pensions

Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in the Statement of comprehensive income when they fall due. Amounts not paid are shown in accruals as a liability in the Balance sheet. The assets of the plan are held separately from the Company in independently administered funds.

2.17 Borrowing costs

All borrowing costs are recognised in the Statement of comprehensive income in the year in which they are incurred.

2.18 Provisions for liabilities

Provisions are made, including for claims under warranties, where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Statement of comprehensive income in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties. Provisions are included with creditors due within one year.

When payments are eventually made, they are charged to the provision carried in the Balance sheet.

2.19 Research and development

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred. Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured. The capitalised development costs are subsequently amortised on a straight line basis over their useful economic lives, which range from 3 to 6 years.

If it is not possible to distinguish between the research phase and the development phase of an internal project, the expenditure is treated as if it were all incurred in the research phase only.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

2. Accounting policies (continued)

2.20 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of comprehensive income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

3. Judgements in applying accounting policies and key sources of estimation uncertainty

Certain of the accounting policies described in note 2 require critical accounting estimates that involve subjective judgemental and the use of assumptions, some of which may be for matters that are inherently uncertain and susceptible to change.

Trade debtors - allowance for doubtful debts can often involve significant management judgemental and the review of individual balances based on a number matters including customer creditworthiness.

Provisions - significant estimates are involved in the determination of provisions related to warranty costs. Such provisions are made when the warranty liability is probable and can be estimated.

HYDRAPOWER DYNAMICS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

4. Turnover

The whole of the turnover is attributable to the company's principal activity of being involved in hydraulic hose production, tube manipulation and general engineering.

Analysis of turnover by country of destination:

	2016 £	2015 £
United Kingdom	8,247,500	8,733,523
Rest of Europe	287,519	176,301
Rest of the world	192,177	226,171
	<u>8,727,196</u>	<u>9,135,995</u>

5. Other operating income

	2016 £	2015 £
Other operating income	1,200	1,400
Government grants	4,986	-
	<u>6,186</u>	<u>1,400</u>

6. Auditor's remuneration

	2016 £	2015 £
Fees payable to the Company's auditor for the audit of the Company's annual financial statements	<u>5,260</u>	<u>7,250</u>

HYDRAPOWER DYNAMICS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

7. Employees

Staff costs, including directors' remuneration, were as follows:

	2016 £	2015 £
Wages and salaries	2,367,283	2,265,586
Social security costs	203,887	184,542
Cost of defined contribution scheme	46,641	47,675
	<u>2,617,811</u>	<u>2,497,803</u>

The average monthly number of employees, including the directors, during the year was as follows:

	2016 No.	2015 No.
Production, administration and management	<u>111</u>	<u>100</u>

8. Directors' remuneration

	2016 £	2015 £
Directors' emoluments	142,015	191,853
Company contributions to defined contribution pension schemes	16,623	20,867
	<u>158,638</u>	<u>212,720</u>

During the year retirement benefits were accruing to 3 directors (2015 - 3) in respect of defined contribution pension schemes.

9. Interest payable and similar charges

	2016 £	2015 £
Bank interest payable	8,708	8,975
Finance leases and hire purchase contracts	-	1,857
	<u>8,708</u>	<u>10,832</u>

HYDRAPOWER DYNAMICS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

10. Taxation

	2016 £	2015 £
Corporation tax		
Current tax on profits for the year	139,387	137,500
Adjustments in respect of previous periods	(42,463)	15,317
Total current tax	96,924	152,817
Deferred tax		
Origination and reversal of timing differences	(1,319)	(10,478)
Total deferred tax	(1,319)	(10,478)
Taxation on profit on ordinary activities	95,605	142,339

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2015 - higher than) the standard rate of corporation tax in the UK of 20% (2015 - 20.17%). The differences are explained below:

	2016 £	2015 £
Profit on ordinary activities before tax	634,765	576,958
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2015 - 20.17%)	126,953	116,372
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	7,939	8,083
Adjustments to tax charge in respect of prior periods	(42,463)	15,317
Short term timing difference leading to an increase in taxation	3,176	3,072
Marginal relief	-	(505)
Total tax charge for the year	95,605	142,339

Factors that may affect future tax charges

There were no factors that may affect future tax charges.

HYDRAPOWER DYNAMICS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

11. Dividends

	2016 £	2015 £
Dividends paid on ordinary shares	<u>50,000</u>	<u>-</u>

12. Tangible fixed assets

	Freehold property £	Plant and machinery £	Motor vehicles £	Fixtures and fittings £	Total £
Cost or valuation					
At 1 January 2016	1,798,177	1,070,268	4,500	658,686	3,531,631
Additions	-	39,982	-	-	39,982
Disposals	(13,540)	-	-	-	(13,540)
At 31 December 2016	<u>1,784,637</u>	<u>1,110,250</u>	<u>4,500</u>	<u>658,686</u>	<u>3,558,073</u>
Depreciation					
At 1 January 2016	110,016	865,982	4,500	606,217	1,586,715
Charge for the year on owned assets	29,004	49,145	-	13,117	91,266
At 31 December 2016	<u>139,020</u>	<u>915,127</u>	<u>4,500</u>	<u>619,334</u>	<u>1,677,981</u>
Net book value					
At 31 December 2016	<u>1,645,617</u>	<u>195,123</u>	<u>-</u>	<u>39,352</u>	<u>1,880,092</u>
At 31 December 2015	<u>1,688,161</u>	<u>204,286</u>	<u>-</u>	<u>52,469</u>	<u>1,944,916</u>

HYDRAPOWER DYNAMICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

12. Tangible fixed assets (continued)

The property was professionally valued in November 2010 by Aitchison Raffetty Property Consultants on an open market basis. During 2016 a professional valuation of the property was carried out and this was not significantly different to the book value, accordingly the 2010 valuation has been used in these financial statements.

Cost or valuation at 31 December 2016 is as follows:

	Land and buildings £
At cost	484,637
At valuation:	
Professional valuation as at 25 November 2010	1,300,000
	<u>1,784,637</u>

If the land and buildings had not been included at valuation they would have been included under the historical cost convention as follows:

	2016 £	2015 £
Cost	1,889,329	1,902,869
Accumulated depreciation	(494,692)	(465,688)
Net book value	<u>1,394,637</u>	<u>1,437,181</u>

13. Stocks

	2016 £	2015 £
Finished goods and goods for resale	<u>1,066,100</u>	<u>939,152</u>

Stock recognised in costs of sales for the year as an expense was £4,393,421 (2015: £4,783,270).

An impairment loss of £84,506 (2015: impairment gain of £35,409) was recognised in cost of sales against stock during the year against slow-moving and obsolete stock.

HYDRAPOWER DYNAMICS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

14. Debtors

	2016 £	2015 £
Trade debtors	1,514,679	2,161,179
Amounts owed by group undertakings	844,906	314,856
Other debtors	46,754	-
Prepayments and accrued income	10,219	10,000
	<u>2,416,558</u>	<u>2,486,035</u>

The company has secured debtors under invoice discounting agreements of £785,788 (2015:£1,191,833) on which advances have been received from invoice discounters of £Nil (2015: £14,735). These advances are included within other creditors.

An impairment loss of £Nil (2015: £25,900) was recognised in administrative expenses during the year due to bad and doubtful debts.

15. Cash and cash equivalents

	2016 £	2015 £
Cash at bank and in hand	511,636	34,687
Less: bank overdrafts	(5,648)	-
	<u>505,988</u>	<u>34,687</u>

16. Creditors: Amounts falling due within one year

	2016 £	2015 £
Bank overdrafts	5,648	-
Bank loans	160,569	100,010
Trade creditors	620,306	808,785
Corporation tax	139,387	137,500
Other taxation and social security	239,509	239,758
Other creditors	15,926	89,855
Accruals and deferred income	477,682	457,394
	<u>1,659,027</u>	<u>1,833,302</u>

Secured loans

The bank loans of £160,569 (2015: £100,010) are secured by a legal charge over the company's property.

HYDRAPOWER DYNAMICS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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17. Creditors: Amounts falling due after more than one year

	2016 £	2015 £
Bank loans	627,157	471,127

Secured loans

The bank loans of £627,157 (2015:£471,127) are secured by a legal charge over the company's property.

18. Loans

Analysis of the maturity of loans is given below:

	2016 £	2015 £
Amounts falling due within one year		
Bank loans	160,569	100,010
Amounts falling due 1-2 years		
Bank loans	123,929	96,905
Amounts falling due 2-5 years		
Bank loans	503,228	374,222
	787,726	571,137

19. Deferred taxation

	2016 £
At beginning of year	(33,048)
Charged to profit or loss	1,319
At end of year	(31,729)

The provision for deferred taxation is made up as follows:

	2016 £
Accelerated capital allowances	(31,729)

HYDRAPOWER DYNAMICS LIMITED

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20. Share capital

	2016 £	2015 £
Shares classified as equity		
Allotted, called up and fully paid		
98,797 Ordinary shares of £1 each	98,797	98,797
200 Ordinary 'A' shares of £1 each	200	200
25 Ordinary 'B' shares of £1 each	25	25
	<hr/>	<hr/>
	99,022	99,022
	<hr/>	<hr/>

The Ordinary 'A' and Ordinary 'B' shares carry no voting rights and the holders are not entitled to receive notice of or attend any general meetings of the company. On winding up, the holders of Ordinary 'A' shares and Ordinary 'B' shares are only entitled to receive the nominal value of their shares.

21. Reserves**Revaluation reserve**

The revaluation reserve arises on the revaluation of freehold property. Where revalued freehold property is the portion of the revaluation reserve that relates to that asset and is effectively realised, is transferred directly to retained profits.

Capital redemption reserve

The reserve arises from the company's purchase of own shares.

Profit and loss account

The profit and loss account includes all current and prior retained profits and losses.

22. Pension commitments

The company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents the contributions payable by the company to the fund and amounted to £46,641 (2015: £47,675). No contributions were payable to the fund at the balance sheet date or at the prior year end.

HYDRAPOWER DYNAMICS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

23. Commitments under operating leases

At 31 December 2016 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2016 £	2015 £
Not later than 1 year	29,155	38,524
Later than 1 year and not later than 5 years	20,280	46,897
	<u>49,435</u>	<u>85,421</u>

24. Related party transactions

The company has taken advantage of paragraph 33.1A of FRS102 and has not disclosed transactions with its parent undertaking.

25. Ultimate parent undertaking and controlling parties

The immediate parent undertaking is Hydrapower Dynamics Holdings Limited, a company registered in England.

The ultimate holding company is Hydrapower Dynamics International Limited a company registered in England and for which consolidated financial statements are prepared. These financial statements are available from:

St Marks Street, Birmingham, West Midlands B1 2UN

The ultimate controlling party is Mr P Browne due to his shareholding in the ultimate parent undertaking.