

HYDRAPOWER DYNAMICS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017



HYDRAPOWER DYNAMICS LIMITED

CONTENTS

	Page
Strategic report	1
Directors' report	2 - 3
Independent auditor's report	4 - 6
Statement of comprehensive income	7
Balance sheet	8
Statement of changes in equity	9
Notes to the financial statements	10 - 25

HYDRAPOWER DYNAMICS LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

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 £8,214,862 compared with £8,727,196 in 2016. The gross margin has increased to 51.9% (2016: 49.7%). Overall, the company has returned a profit after tax of £640,797 compared with £539,160 in 2016.

The working capital position of the company has improved to £2,631,530 from £2,335,267 in 2016. 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.

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 11 July 2018 and signed on its behalf.



.....
P. Browne
Director

HYDRAPOWER DYNAMICS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

The directors present their report and the financial statements for the year ended 31 December 2017.

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 £640,797 (2016 - £539,160).

A dividend of £75,000 (2016: £50,000) was paid during the year, no final dividend is proposed in respect of the year.

Directors

P. Browne
B. McDonough

Future developments

Future developments are detailed in the Group strategic report.

HYDRAPOWER DYNAMICS LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2017**

Disclosure of information to auditor

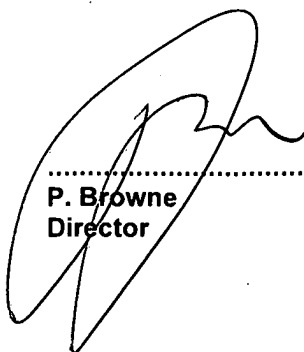
Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- 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 11 July 2018 and signed on its behalf.



.....
P. Browne
Director

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

Opinion

We have audited the financial statements of Hydrapower Dynamics Limited (the 'Company') for the year ended 31 December 2017, which comprise the Statement of comprehensive income, the Balance sheet, the Statement of changes in equity and the related notes, 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 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (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 United Kingdom, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We 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

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

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.

Opinion on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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.

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

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, 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.

HYDRAPOWER DYNAMICS LIMITED

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

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.

Use of our report

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



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

11 July 2018

HYDRAPOWER DYNAMICS LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017**

	Note	2017 £	2016 £
Turnover	4	8,214,862	8,727,196
Cost of sales		(3,953,499)	(4,393,421)
Gross profit		4,261,363	4,333,775
Distribution costs		(413,183)	(382,095)
Administrative expenses		(3,211,013)	(3,314,393)
Other operating income	5	3,893	6,186
Operating profit	6	641,060	643,473
Interest payable and expenses	10	(14,712)	(8,708)
Profit before tax		626,348	634,765
Tax on profit	11	14,449	(95,605)
Profit for the financial year		640,797	539,160

There was no other comprehensive income for 2017 or 2016.

The notes on pages 10 to 25 form part of these financial statements.

HYDRAPOWER DYNAMICS LIMITED
REGISTERED NUMBER: 01737504

BALANCE SHEET
AS AT 31 DECEMBER 2017

	Note	2017 £	2016 £
Fixed assets			
Tangible assets	13	3,332,130	1,880,092
Current assets			
Stocks	14	1,117,300	1,066,100
Debtors: amounts falling due within one year	15	2,980,194	2,416,558
Cash at bank and in hand		30,551	511,636
		<u>4,128,045</u>	<u>3,994,294</u>
Creditors: amounts falling due within one year	16	(1,496,515)	(1,659,027)
Net current assets		<u>2,631,530</u>	<u>2,335,267</u>
Total assets less current liabilities		<u>5,963,660</u>	<u>4,215,359</u>
Creditors: amounts falling due after more than one year	17	(612,003)	(627,157)
Provisions for liabilities			
Deferred tax	19	(46,000)	(31,729)
		<u>(46,000)</u>	<u>(31,729)</u>
Net assets		<u><u>5,305,657</u></u>	<u><u>3,556,473</u></u>
Capital and reserves			
Called up share capital	20	99,022	99,022
Revaluation reserve	21	1,430,151	248,872
Capital redemption reserve	21	1,005	1,005
Profit and loss account	21	3,775,479	3,207,574
		<u><u>5,305,657</u></u>	<u><u>3,556,473</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 11 July 2018.

.....
P. Browne
Director

The notes on pages 10 to 25 form part of these financial statements.

HYDRAPOWER DYNAMICS LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017**

	Called up share capital	Capital redemption reserve	Revaluation reserve	Profit and loss account	Total equity
	£	£	£	£	£
At 1 January 2017	99,022	1,005	248,872	3,207,574	3,556,473
Profit for the year	-	-	-	640,797	640,797
Surplus on revaluation of freehold property	-	-	1,183,387	-	1,183,387
Dividends: Equity capital	-	-	-	(75,000)	(75,000)
Transfer to/from profit and loss account	-	-	(2,108)	2,108	-
At 31 December 2017	99,022	1,005	1,430,151	3,775,479	5,305,657

The notes on pages 10 to 25 form part of these financial statements.

**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

The notes on pages 10 to 25 form part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

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 2017 and these financial statements may be obtained from St Mark's Street, Birmingham B1 2UN.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

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 2017**

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 Financial instruments

The Company only enters into basic financial instrument 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.

2.9 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

2. Accounting policies (continued)

2.10 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.

2.11 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.

2.12 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.

2.13 Operating leases

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

2.14 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

2. Accounting policies (continued)

2.15 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.

2.16 Borrowing costs

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

2.17 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.

2.18 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 2017**

2. Accounting policies (continued)

2.19 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 2017

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:

	2017 £	2016 £
United Kingdom	7,405,149	8,247,500
Rest of Europe	600,250	287,519
Rest of the world	209,463	192,177
	<u>8,214,862</u>	<u>8,727,196</u>

5. Other operating income

	2017 £	2016 £
Other operating income	1,400	1,200
Government grants	2,493	4,986
	<u>3,893</u>	<u>6,186</u>

6. Operating profit

The operating profit is stated after charging:

	2017 £	2016 £
Research & development charged as an expense	2,000	5,508
Depreciation of tangible fixed assets	95,722	91,266
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	7,100	5,260
Exchange differences	(44,413)	11,102
Other operating lease rentals	50,417	27,340
Defined contribution pension cost	38,715	46,641
	<u></u>	<u></u>

HYDRAPOWER DYNAMICS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

7. Auditor's remuneration

	2017 £	2016 £
Fees payable to the Company's auditor for the audit of the Company's annual financial statements	<u>7,100</u>	<u>5,260</u>

8. Employees

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

	2017 £	2016 £
Wages and salaries	2,341,069	2,367,283
Social security costs	202,424	203,887
Cost of defined contribution scheme	38,715	46,641
	<u>2,582,208</u>	<u>2,617,811</u>

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

	2017 No.	2016 No.
Production, administration and management	<u>112</u>	<u>111</u>

9. Directors' remuneration

	2017 £	2016 £
Directors' emoluments	100,627	142,015
Company contributions to defined contribution pension schemes	11,659	16,623
	<u>112,286</u>	<u>158,638</u>

During the year retirement benefits were accruing to 2 directors (2016 - 3) in respect of defined contribution pension schemes.

HYDRAPOWER DYNAMICS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

10. Interest payable and similar expenses

	2017 £	2016 £
Bank interest payable	<u>14,712</u>	<u>8,708</u>

11. Taxation

	2017 £	2016 £
Corporation tax		
Current tax on profits for the year	80,000	139,387
Adjustments in respect of previous periods	(108,720)	(42,463)
Total current tax	<u>(28,720)</u>	<u>96,924</u>
Deferred tax		
Origination and reversal of timing differences	14,271	(1,319)
Total deferred tax	<u>14,271</u>	<u>(1,319)</u>
Taxation on (loss)/profit on ordinary activities	<u>(14,449)</u>	<u>95,605</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

11. Taxation (continued)**Factors affecting tax charge for the year**

The tax assessed for the year is lower than (2016 - lower than) the standard rate of corporation tax in the UK of 19.25% (2016 - 20%). The differences are explained below:

	2017 £	2016 £
Profit on ordinary activities before tax	626,348	634,765
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.25% (2016 - 20%)	120,572	126,953
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	1,412	2,138
Capital allowances for year in excess of depreciation	(25,827)	5,802
Adjustments to tax charge in respect of prior periods	(108,720)	(42,463)
Short term timing difference leading to an (decrease) / increase in taxation	(1,349)	3,175
Other differences leading to an decrease in the tax charge	(537)	-
Total tax charge for the year	(14,449)	95,605

Factors that may affect future tax charges

There were no factors that may affect future tax charges.

12. Dividends

	2017 £	2016 £
Dividends paid on ordinary shares	75,000	50,000

HYDRAPOWER DYNAMICS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

13. Tangible fixed assets

	Freehold property £	Plant and machinery £	Motor vehicles £	Fixtures and fittings £	Total £
Cost or valuation					
At 1 January 2017	1,784,637	1,110,250	4,500	658,686	3,558,073
Additions	-	364,373	-	-	364,373
Revaluations	1,015,363	-	-	-	1,015,363
At 31 December 2017	2,800,000	1,474,623	4,500	658,686	4,937,809
Depreciation					
At 1 January 2017	139,020	915,127	4,500	619,334	1,677,981
Charge for the year on owned assets	29,004	51,764	-	14,954	95,722
On revalued assets	(168,024)	-	-	-	(168,024)
At 31 December 2017	-	966,891	4,500	634,288	1,605,679
Net book value					
At 31 December 2017	2,800,000	507,732	-	24,398	3,332,130
At 31 December 2016	1,645,617	195,123	-	39,352	1,880,092

HYDRAPOWER DYNAMICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

13. Tangible fixed assets (continued)

The property was professionally valued in January 2018 by Burley Browne, Chartered Surveyors, on an open market basis.

Cost or valuation at 31 December 2017 is as follows:

	Land and buildings £
At cost	-
At valuation:	
Professional valuation as at January 2018	2,800,000
	<u>2,800,000</u>

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

	2017 £	2016 £
Cost	1,889,329	1,889,329
Accumulated depreciation	(521,588)	(494,692)
Net book value	<u>1,367,741</u>	<u>1,394,637</u>

14. Stocks

	2017 £	2016 £
Finished goods and goods for resale	<u>1,117,300</u>	<u>1,066,100</u>

Stock recognised in costs of sales for the year as an expense was £3,953,499 (2016: £4,393,421).

An impairment gain of £101,290 (2016: impairment loss of £84,506) 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 2017**

15. Debtors

	2017 £	2016 £
Trade debtors	2,097,454	1,514,679
Amounts owed by group undertakings	882,740	844,906
Other debtors	-	46,754
Prepayments and accrued income	-	10,219
	<u>2,980,194</u>	<u>2,416,558</u>

The company has secured debtors under invoice discounting agreements of on which advances have been received from invoice discounters of £Nil (2016: £Nil).

An impairment gain of £Nil (2016: £47,102) was recognised in administrative expenses during the year due to bad and doubtful debts.

16. Creditors: Amounts falling due within one year

	2017 £	2016 £
Bank overdrafts	7,645	5,648
Bank loans	151,177	160,569
Trade creditors	676,219	620,306
Corporation tax	80,000	139,387
Other taxation and social security	202,009	239,509
Other creditors	105,458	15,926
Accruals and deferred income	274,007	477,682
	<u>1,496,515</u>	<u>1,659,027</u>

Secured loans

The bank loans of £151,177 (2016: £160,569) are secured by a legal charge over the company's property.

HYDRAPOWER DYNAMICS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

17. Creditors: Amounts falling due after more than one year

	2017 £	2016 £
Bank loans	612,003	627,157

Secured loans

The bank loans of £612,003 (2016: £627,157) are secured by a legal charge over the company's property.

18. Loans

Analysis of the maturity of loans is given below:

	2017 £	2016 £
Amounts falling due within one year		
Bank loans	151,177	160,569
Amounts falling due 1-2 years		
Bank loans	128,154	123,929
Amounts falling due 2-5 years		
Bank loans	483,849	503,228
	763,180	787,726

19. Deferred taxation

	2017 £
At beginning of year	(31,729)
Charged to profit or loss	(14,271)
At end of year	(46,000)

HYDRAPOWER DYNAMICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

19. Deferred taxation (continued)

The provision for deferred taxation is made up as follows:

	2017 £	2016 £
Accelerated capital allowances	(59,000)	(31,729)
Short -term differences	13,000	-
	<u>(46,000)</u>	<u>(31,729)</u>

20. Share capital

	2017 £	2016 £
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
	<u>99,022</u>	<u>99,022</u>

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.

HYDRAPOWER DYNAMICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

22. Capital commitments

At 31 December 2017 the Company had capital commitments as follows:

	2017 £	2016 £
Contracted for but not provided in these financial statements	<u>27,350</u>	<u>-</u>

23. 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 £38,715 (2016: £46,641). No contributions were payable to the fund at the balance sheet date or at the prior year end.

24. Commitments under operating leases

At 31 December 2017 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2017 £	2016 £
Not later than 1 year	59,883	29,155
Later than 1 year and not later than 5 years	139,885	20,280
	<u>199,768</u>	<u>49,435</u>

25. Related party transactions

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

26. 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.