

COMPANIES HOUSE COPY

Sun Hydraulics Limited

Report and Financial Statements

Year Ended

2 January 2016

Company Number 1914045

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Sun Hydraulics Limited

Report and financial statements for the year ended 2 January 2016

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Directors

R Glasspole
S Hancox
T L Fulton
M B Bokorney

Secretary and registered office

Taylor Wessing Secretaries Limited, 5 New Street Square, London, EC47 3TW

Company number

1914045

Auditors

BDO LLP, Two Snowhill, Birmingham, B4 6GA

Sun Hydraulics Limited

Strategic report for the year ended 2 January 2016

The directors present their strategic report together with the audited financial statements for the year ended 2 January 2016.

Principal activities

The Company's principal activities are the supply of hydraulic screw-in cartridges and manifolds for use on all types of mobile and industrial machinery. We operate as the distributor in the UK and supply through independent companies operating as distributors in other countries around Europe. Our main manufacturing activity is the production of manifolds in SG iron.

Review of business and key financial performance indicators

2015 saw our turnover decrease by 12.9% to £11,747,146 compared to £13,490,793 in 2014. Home sales into the UK decreased by 10.6% and accounted for 52.0% of the total sales.

We moved another distributor to direct supply from the USA during the year to speed up supply and reduce double handling of products.

The industrial sector remained positive but the mobile equipment, offshore oil and gas and the mining equipment markets weakened during the year.

We improved our on time deliveries to customer requested dates to an average of 96%.

Significant events in the year

We increased our technical support and sales team with a view to increasing our presence and market share.

Future Developments

We plan to consolidate our manufacturing capability and continue to supply high-quality products on-time to customer requirements. The continuing development of our website along with new product training and product selection programs will make it as easy as possible for customers to find the right information about our products and capabilities. It is planned to have more distributors buying goods direct from the USA to further reduce double handling and to speed up delivery.

We also plan to continue expanding our sales team to increase our penetration in our markets and to give additional support to our distributor network.

The Company is in a financially strong position with a highly skilled and motivated workforce and will be in a good position to take advantage of any upturn in sales.

Principal risks and uncertainties and financial instruments

Financial risk management

Funding and Liquidity risk are managed by the company. The objectives are to protect the assets of the company and to identify and manage the financial risks. These risks are described further below:

Currency risk

Currency transaction risk is primarily automatically controlled by the fact that a majority of the sales in currencies (USD) are matched by purchases in currency (USD). Revaluation of currency balances: Cash, Debtors and Creditors are absorbed on a monthly basis.

Sun Hydraulics Limited

Strategic report
for the year ended 2 January 2016 (*continued*)

Principal risks and uncertainties and financial instruments (*continued*)

Liquidity risk

Funding is monitored by the preparation of updated budgets on a frequent cycle. Actual results are compared to historical position on a cyclical basis. At 2 January 2016 the Company's cash and investments balance was £13.85 million.



R Glasspole
Director

6 APRIL 2016

Sun Hydraulics Limited

Report of the directors for the year ended 2 January 2016

The directors present their report together with the audited financial statements for the year ended 2 January 2015.

Results and dividends

The statement of comprehensive income is set out on page 7 and shows the profit for the year.

Research and development

Research and development expenditure is written off as incurred.

Employment policy

The company is committed to a policy of recruitment and promotion on the basis of aptitude and ability without discrimination of any kind. We also try and encourage our employees to attend outside courses to improve their skills and improve their general education. Full training is provided to all new employees.

Directors

The directors of the company during the year were:

A J Carlson
R Glasspole
S Hancox
T L Fulton

A J Carlson resigned on 8th February 2016.

M B Bokorney was appointed on 8th February 2016.

Sun Hydraulics Limited

Statement of directors' responsibilities for the year ended 2 January 2016

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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards 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:

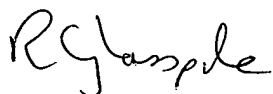
- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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.

Auditors

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

On behalf of the board



R Glasspole
Director

6 APRIL 2016

Sun Hydraulics Limited

Independent auditor's report

To the members of Sun Hydraulics Limited

We have audited the financial statements of Sun Hydraulics Limited for the year ended 2 January 2016 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including 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 auditors

As explained more fully in the statement of directors' responsibilities, 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 (FRC's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 2 January 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the strategic report and directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Sun Hydraulics Limited

Independent auditor's report (*continued*)

Matters on which we are required to report by exception

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

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

BDO LLP
2 April 2016

Thomas Lawton (*senior statutory auditor*)
For and on behalf of BDO LLP, statutory auditor
Birmingham
United Kingdom

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Sun Hydraulics Limited

Statement of comprehensive income for the year ended 2 January 2016

	Note	2015 £	2014 £
Turnover	3	11,747,146	13,490,793
Cost of sales		8,146,790	9,153,690
		<hr/>	<hr/>
Gross profit		3,600,356	4,337,103
Administrative expenses		2,006,729	1,984,733
		<hr/>	<hr/>
		1,593,627	2,352,370
Other operating income		44,371	81,194
		<hr/>	<hr/>
Operating profit	4	1,637,998	2,433,564
Other interest receivable and similar income	7	84,622	70,688
		<hr/>	<hr/>
Profit on ordinary activities before taxation		1,722,620	2,504,252
Taxation on profit on ordinary activities	8	423,037	528,743
		<hr/>	<hr/>
Profit for the financial year and total comprehensive income		1,299,583	1,975,509
		<hr/>	<hr/>

All amounts relate to continuing activities.

The notes on pages 10 to 23 form part of these financial statements.

Sun Hydraulics Limited

Statement of financial position at 2 January 2016

Company number 1914045	Note	2015 £	2015 £	2014 £	2014 £
Fixed assets					
Tangible fixed assets	9		4,293,948		4,658,810
Current assets					
Stocks	10	680,487		750,930	
Debtors	11	1,672,757		2,474,496	
Investments	12	2,000,000		-	
Cash at bank and in hand		11,848,870		11,375,866	
		16,202,114		14,601,292	
Creditors: amounts falling due within one year	13	1,168,654		1,291,685	
Net current assets			15,033,460		13,309,607
Total assets less current liabilities			19,327,408		17,968,417
Provisions for liabilities	14		181,756		122,348
			19,145,652		17,846,069
Capital and reserves					
Called up share capital	15		1,140,000		1,140,000
Profit and loss account			18,005,652		16,706,069
			19,145,652		17,846,069

The financial statements were approved by the Board of Directors and authorised for issue on

6 Apr 16

R Glasspole

R Glasspole
Director

The notes on pages 10 to 23 form part of these financial statements.

Sun Hydraulics Limited

Statement of changes in equity

Year ended 2 January 2016

	Share capital £	Profit and loss £	Total equity £
At 28 December 2014	1,140,000	16,706,069	17,846,069
Total profit for the year and total comprehensive income	-	1,299,583	1,299,583
At 2 January 2016	1,140,000	18,005,652	19,145,652

Year ended 27 December 2014

	Share capital £	Profit and loss £	Total equity £
At 28 December 2013	1,140,000	14,730,560	15,870,560
Total profit for the year and total comprehensive income	-	1,975,509	1,975,509
At 27 December 2014	1,140,000	16,706,069	17,846,069

The purpose of each reserve within equity is as follows:

Share Capital	The nominal value of allotted and fully paid up ordinary share capital
Profit and loss account	Cumulative net gains and losses recognised in the statement of comprehensive income

The notes on pages 10 to 23 form part of these financial statements.

Sun Hydraulics Limited

Notes forming part of the financial statements for the year ended 2 January 2016

1 Accounting policies

The financial statements have been prepared in accordance with FRS 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland.

FRS 102 is mandatory for accounting periods beginning on or after 1 January 2015. The company has elected to adopt FRS 102 early. Information on the impact of first-time adoption of FRS 102 is given in note 22.

The financial statements are included within the consolidated group financial statements of Sun Hydraulics Corporation. The accounts have been prepared using the reduced disclosure exemptions permitted by FRS 102 and therefore do not include:

- A statement of cash flows
- Certain financial instruments disclosures

The accounts have been prepared in the company's functional currency, pounds sterling.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the company's accounting policies.

The following principal accounting policies have been applied:

Turnover

Turnover represents sales to external customers and fellow group undertakings at invoiced amounts less value added tax.

Tangible fixed assets

Tangible fixed assets, other than investment properties, are stated at historical cost less accumulated depreciation and any 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

Depreciation is provided to write off the cost, less estimated residual values, of all tangible fixed assets, except for freehold land, evenly over their expected useful lives. It is calculated at the following rates:

Buildings	- 10 and 40 years
Plant and machinery	- 5 and 10 years
Furniture and equipment	- 3,4 and 10 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, 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 within 'other operating income' in the statement of comprehensive income.

Sun Hydraulics Limited

Notes forming part of the financial statements for the year ended 2 January 2016 (*continued*)

1 Accounting policies (*continued*)

Impairment of fixed assets

Assets that are subject to depreciation are assessed at each reporting date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets that have been previously impaired are reviewed at each reporting date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

Stocks

Stocks are valued at the lower of cost and net realisable value. Cost is based on the cost of purchase on a first in, first out basis. Net realisable value is based on estimated selling price less additional costs to completion and disposal.

Foreign currency translation

Foreign currency transactions are translated into the entity's functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Financial instruments

Financial instruments are measured initially and subsequently at cost.

Research and development

Research and development expenditure is written off in the year in which it is incurred.

Current and deferred taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or 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 reporting date in the countries where the company's subsidiaries operate and generate taxable income.

Deferred 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.

Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

Sun Hydraulics Limited

Notes forming part of the financial statements for the year ended 2 January 2016 (*continued*)

1 Accounting policies (*continued*)

Share based payment

When share options are awarded to employees, the fair value of the options at the date of grant is charged to the income statement over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied.

Where the terms and conditions of options are modified before they vest, the increase in fair value of the options, measured immediately before and after the modification, is also charged to the income statement over the remaining vesting period. Where equity instruments are granted to persons other than employees, the income statement is charged with the fair value of goods and services received.

The company also operates an HMRC approved Share Incentive Plan (SIP), the company recognises a charge to the profit and loss account in the period to which the award of the SIP shares relates given the vesting conditions are met immediately.

Leased assets

Where assets are financed by leasing agreements that give rights approximately to ownership (finance leases), the assets are treated as if they have been purchased outright. The amount capitalised is the present value of the minimum lease payments payable over the term of the lease. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to profit or loss over the shorter of estimated useful economic life and the term of the lease.

Lease payments are analysed between capital and interest components so that the interest element of the payment is charged to profit or loss over the term of the lease and is calculated so that it represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts payable to the lessor.

All other leases are treated as operating leases. Their annual rentals are charged to profit or loss on a straight-line basis over the term of the lease.

The company has taken advantage of the optional exemption available on transition to FRS 102 which allows lease incentives on leases entered into before the date of transition to the standard (1 January 2014) to continue to be charged over the period to the first market rent review rather than the term of lease.

For leases entered into on or after 1 January 2014, reverse premiums and similar incentives received to enter into operating lease agreements are released to profit or loss over the term of the lease.

Pension costs

Contributions to the company's defined contribution pension scheme are charged to the profit and loss account in the year in which they become payable.

Holiday pay accrual

A liability is recognised to the extent of any unused holiday pay entitlement which has accrued at the balance sheet date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the balance sheet date.

Sun Hydraulics Limited

Notes forming part of the financial statements for the year ended 2 January 2016 (*continued*)

1 Accounting policies (*continued*)

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.

Investments in fixed term deposits with an initial term to maturity in excess of 3 months are accounted for as current asset investments.

Financial period

The current accounting period covers the period 28 December 2014 to 2 January 2016 and the comparative period covers the period 29 December 2013 to 27 December 2014. The financial year end date for the company is aligned to the financial reporting year end of the ultimate parent company.

Sun Hydraulics Limited

Notes forming part of the financial statements
for the year ended 2 January 2016 (*continued*)

2 Judgements in applying accounting policies and key sources of estimation uncertainty

In preparing these financial statements, the directors have made the following judgements:

- Determine whether leases entered into by the company either as a lessor or a lessee are operating or lease or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.

Other key sources of estimation uncertainty

- *Tangible fixed assets (see note 9)*

Tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

- *Stock (see note 10)*

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

- *Trade debtors (see note 11)*

At each reporting date, trade debtors are assessed for recoverability. If there is any evidence of impairment, the carrying value of the debtor is reduced to its recoverable amount. The impairment loss is recognised immediately in profit and loss.

Sun Hydraulics Limited

Notes forming part of the financial statements
for the year ended 2 January 2016 (continued)

3 Analysis of Turnover

	2015 £	2014 £
Analysis of turnover by country of destination:		
United Kingdom	6,106,879	6,831,125
Rest of Europe	4,089,198	4,344,416
Rest of the world	890,078	1,683,673
North America & Canada	660,991	631,579
	<u>11,747,146</u>	<u>13,490,793</u>

Turnover is wholly attributable to the principal activity of the company.

4 Operating profit

	2015 £	2014 £
This is arrived at after charging/(crediting):		
Depreciation of tangible fixed assets	527,485	502,889
Fees payable to the company's auditor and its associates for the audit of the company's annual accounts	24,740	22,800
Fees payable to the company's auditor and its associates for other services:		
FRS 102 transition assistance	1,250	-
Exchange differences	(44,371)	(81,194)
Expenditure relating to items held under operating leases – other assets	3,663	4,506
	<u>507,507</u>	<u>449,001</u>

5 Employees

	2015 £	2014 £
Staff costs (including directors) consist of:		
Wages and salaries	2,195,940	2,326,455
Social security costs	214,068	230,421
Other pension costs	165,222	162,232
	<u>2,577,930</u>	<u>2,719,108</u>

The average number of employees (including directors) during the year was as follows:

	2015 Number	2014 Number
Production staff	36	39
Management staff	27	24
	<u>63</u>	<u>63</u>

Sun Hydraulics Limited

Notes forming part of the financial statements
for the year ended 2 January 2016 (*continued*)

6 Directors' remuneration

	2015 £	2014 £
Directors' emoluments	221,679	217,305
Gains on restricted shares vesting	145,634	159,141
Company contributions to money purchase pension schemes	40,188	24,036
SIP free shares	7,200	7,200

There were 2 directors in the company's defined contribution pension scheme during the year (2014 - 2).

The number of directors who exercised share options was 2 (2014 - 2).

The total amount payable to the highest paid director in respect of emoluments was £138,753 (2014 - £136,212). Company pension contributions of £26,242 (2014 - £25,240) were made to a money purchase scheme on their behalf. The highest paid director also received shares through the restricted share scheme as well as SIP free shares during the year.

7 Other interest receivable and similar income

	2015 £	2014 £
Bank interest receivable	84,622	70,688

Sun Hydraulics Limited

Notes forming part of the financial statements
for the year ended 2 January 2016 (*continued*)

8 Taxation on profit on ordinary activities

	2015 £	2014 £
<i>UK Corporation tax</i>		
Current tax on profits of the year	361,477	499,941
Adjustment in respect of previous periods	2,152	(58,548)
	<hr/>	<hr/>
Total current tax	363,629	441,393
	<hr/>	<hr/>
<i>Deferred tax</i>		
Origination and reversal of timing differences	20,837	87,350
Adjustment in respect of previous periods	56,451	
Effective change in tax rate	(17,880)	-
	<hr/>	<hr/>
Movement in deferred tax provision	59,408	87,350
	<hr/>	<hr/>
Taxation on profit on ordinary activities	423,037	528,743
	<hr/>	<hr/>

The tax assessed for the year is lower than/higher than the standard rate of corporation tax in the UK applied to profit before tax. The differences are explained below:

	2015 £	2014 £
Profit on ordinary activities before tax	1,722,620	2,504,252
Profit on ordinary activities at the standard rate of corporation tax in the UK of 20.25% (2014 – 21.49%)	348,772	538,164
Effect of:		
Expenses not deductible for tax purposes	15,662	49,127
Adjustment to tax charge in respect of previous periods	58,603	(58,548)
	<hr/>	<hr/>
Taxation on profit on ordinary activities	423,037	528,743
	<hr/>	<hr/>

Factors that may affect future tax charges

The UK main corporation tax rate was reduced to 20%, taking effect from 1 April 2015.

On 8 July 2015 the Chancellor proposed further cuts to the main rate of corporation tax to 19% and then 18% with effect from 1 April 2017 and 1 April 2020 respectively and these reductions were substantively enacted on 26 October 2015. These rate cuts will reduce future tax charges accordingly.

Sun Hydraulics Limited

Notes forming part of the financial statements
for the year ended 2 January 2016 (*continued*)

9 Tangible fixed assets

	Freehold land and buildings £	Plant and machinery £	Furniture and equipment £	Total £
<i>Cost</i>				
At 28 December 2014	5,262,761	6,385,818	969,281	12,617,860
Additions	8,125	106,120	48,378	162,623
Disposals	(17,783)	(46,162)	(96,506)	(160,451)
	<hr/>	<hr/>	<hr/>	<hr/>
At 2 January 2016	5,253,103	6,445,776	921,153	12,620,032
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>				
At 28 December 2014	1,866,413	5,267,044	825,593	7,959,050
Provision for year	162,097	291,166	74,222	527,485
Disposals	(17,783)	(46,162)	(96,506)	(160,451)
	<hr/>	<hr/>	<hr/>	<hr/>
At 2 January 2016	2,010,727	5,512,048	803,309	8,326,084
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Net book value</i>				
At 2 January 2016	3,242,376	933,728	177,844	4,293,948
	<hr/>	<hr/>	<hr/>	<hr/>
At 27 December 2014	3,396,348	1,118,774	143,688	4,658,810
	<hr/>	<hr/>	<hr/>	<hr/>

Sun Hydraulics Limited

Notes forming part of the financial statements for the year ended 2 January 2016 (continued)

10 Stocks

	2015 £	2014 £
Raw materials and consumables	43,068	55,003
Work in progress	46,935	74,439
Finished goods and goods for resale	590,484	621,488
	<u>680,487</u>	<u>750,930</u>

There is no material difference between the replacement cost of stocks and the amounts stated above.

An impairment loss of £20,376 (2014 – £3,668) was recognised in cost of sales against stock against stocks deemed to be slow moving or obsolete.

11 Debtors

	2015 £	2014 £
Trade debtors	1,253,820	1,913,440
Amounts owed by parent undertaking	53,546	48,086
Amounts owed by fellow subsidiary undertakings	-	17,398
Other debtors	85,318	132,627
Prepayments and accrued income	280,073	362,945
	<u>1,672,757</u>	<u>2,474,496</u>

All amounts shown under debtors fall due for payment within one year.

The credit recognised in the profit or loss for the period in respect of bad and doubtful trade debtors was £1,114 (2014 – loss of £30,740).

12 Current asset investments

	2015 £	2014 £
Other investments	<u>2,000,000</u>	<u>-</u>

Current asset investments relate to amounts held in treasury deposit accounts, which had an initial term to maturity in excess of 3 months.

Sun Hydraulics Limited

Notes forming part of the financial statements
for the year ended 2 January 2016 (*continued*)

13 Creditors: amounts falling due within one year

	2015 £	2014 £
Trade creditors	251,347	281,784
Amounts owed to parent undertakings	358,054	418,823
Amounts owed to fellow subsidiary undertakings	3,488	570
Corporation tax	161,478	84,941
Other taxation and social security	54,817	50,202
Other creditors	145,397	259,292
Accruals and deferred income	194,073	196,073
	<u>1,168,654</u>	<u>1,291,685</u>

14 Provisions for liabilities

	Deferred taxation £
At 28 December 2014	122,348
Charged to profit and loss account	59,408
	<u>181,756</u>
At 2 January 2016	

Deferred taxation

	2015 £	2014 £
Accelerated/(decelerated) capital allowances	229,866	254,760
Sundry timing differences	(48,110)	(132,412)
	<u>181,756</u>	<u>122,348</u>

15 Share capital

	2015 £	2014 £
<i>Allotted, called up and fully paid</i>		
1,140,000 ordinary shares of £1 each	<u>1,140,000</u>	<u>1,140,000</u>

16 Pensions

The company operates a defined contribution group personal pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension charge amounted to £165,222 (2014 - £162,232). There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

Sun Hydraulics Limited

Notes forming part of the financial statements
for the year ended 2 January 2016 (*continued*)

17 Commitments under operating leases

The company and the company had minimum lease payments under non-cancellable operating leases as set out below:

	Other 2015 £	Other 2014 £
Not later than 1 year	3,663	3,663
Later than 1 year and not later than 5 years	2,076	5,738
	<hr/>	<hr/>
Total	5,739	9,401
	<hr/>	<hr/>

18 Capital commitments

	2015 £	2014 £
Contracted but not provided for	14,520	18,186
	<hr/>	<hr/>

Sun Hydraulics Limited

Notes forming part of the financial statements for the year ended 2 January 2016 (*continued*)

19 Share-based cash settled payments

During the year the company participated in two share-based payment schemes in respect of certain of its employees, as follows:

Restricted share scheme

	Shares to vest at 28 December 2014	Shares vested during the year	Shares granted during the year £	Shares to vest at 2 January 2016 £
Restricted shares	19,950	(9,900)	3,900	13,950

In 2007 the company's ultimate parent implemented a restricted share scheme throughout the group to replace the previous phantom schemes. Details of the scheme are as given below.

The employees receive shares in Sun Hydraulics Corporation ('Sun Corp.'), the company's ultimate parent undertaking, at the date of grant. The shares are restricted and should vesting criteria not be met the employees lose the shares granted. One third of the shares granted vest each year over the 3 year vesting period and are able to be sold after this date.

The effect this would have on a knowledgeable, willing market participant's valuation of the shares would be minimal, as the shares are actively traded in a liquid market with virtually all the rights that any other shareholder would have including dividends.

A management charge is received from the parent company for the issue of the shares at the date of grant and the charge is split over the vesting period of the shares, with one third split over 12 months, one third over 24 months and one third over 36 months. An amount of £200,687 (2014 - £213,050) has been expensed through the profit and loss account in respect of these plans.

Share Incentive Plan

In 2009, the company activated a Share Incentive Plan (SIP), a scheme approved by HMRC. Under this plan, employees may make regular contributions to a trust which will acquire shares ('Partnership shares') in Sun Corp., on their behalf. The company has committed to match the number of Partnership shares purchased with a contribution to the trust to purchase shares in Sun Corp. in a ratio of one for six shares ('Matching shares').

The plan also allows the company to award a number of shares to each employee as an outright award of shares ('Free shares') in Sun Corp. Free shares are awarded to all employees, regardless of their participation in purchasing Partnership shares. All shares awarded by the company are bought at market value at the date of purchase.

An amount of £87,060 (2014 - £178,971) has been expensed to the profit and loss account in respect of the Free shares during the year. There is a creditor of £89,088 (2014 - £179,157) at the year end in relation to SIP shares awarded which will be activated in 2016.

In addition, in relation to 2015 an amount of £8,446 (2014 - £7,579) has been expensed through the profit and loss account in respect of Matching shares.

Sun Hydraulics Limited

Notes forming part of the financial statements for the year ended 2 January 2016 (*continued*)

20 Related party disclosures

Key management personnel includes all directors of the company. The total compensation paid to key management personnel for services provided to the company was £269,067 (2014 - £263,326).

21 Ultimate parent company and parent undertaking of larger group

The company is a wholly owned subsidiary of Sun Hydraulics Corporation.

The largest and smallest group in which the results of the company are consolidated is that headed by Sun Hydraulics Corporation, incorporated in United States of America. The consolidated accounts of this company are available to the public and may be obtained from 1500 West University Parkway, Sarasota, Florida, 34243, USA. No other group accounts include the results of the company.

22 First time adoption of FRS 102

	Equity as at 29 December 2013 £	Profit for the year ended 27 December 2014 £	Equity as at 27 December 2014 £
As previously stated under UK GAAP	15,870,560	1,975,509	17,846,069
Transition adjustments	-	-	-
As stated in accordance with FRS 102	15,870,560	1,975,509	17,846,069

The directors have made an assessment of the impact of adopting FRS 102 and have identified no material adjustments to comprehensive income or the carrying value of assets and liabilities for the prior period.