Financial Statements

Sun Hydraulics Limited

For the Period Ended 31 December 2016

Registered number: 1914045

Sun Hydraulics Limited

Company Information

Directors	R Glasspole T L Fulton M B Bokorney (appointed 8 February 2016) N V Askew (appointed 3 October 2016) A J Carlson (resigned 8 February 2016) S Hancox (resigned 3 October 2016)
Registered number	1914045
Registered office	Taylor Wessing Secretaries Limited 5 New Street Square London EC47 3TW
Independent auditor	Grant Thornton UK LLP Chartered Accountants & Senior Statutory Auditor The Colmore Building 20 Colmore Circus Birmingham West Midlands B4 6AT

Contents

Strategic Report
For the Period Ended 31 December 2016

The directors present their strategic report together with the audited financial statements for the period ended 31 December 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

During 2016 some of our traditional key markets, offshore and marine, faced some significant challenges and demand reduced accordingly. Development of new customers within the construction and agricultural markets helped to offset some of the impact resulting in a reduction of 3.1% in turnover.

Development of a strategic growth plan to 2025 resulted in the need for an organisational restructure during 2016. This activity resulted in a one off exceptional cost of £464k.

Future developments

We have a clear growth plan to 2025 that includes new markets, customers, products and channel partners. To achieve this, we will make additional investment in human capital in key areas to further strengthen our position in the market.

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 translation 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.

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 31 December 2016 the Company's cash and investments balance was £14.5m.

This report was approved by the board on 1 June 2017 and signed on its behalf.

R Glasspole

R Glasspole
Director

Directors' Report
For the Period Ended 31 December 2016

The directors present their report together with the audited financial statements for the period ended 31 December 2016.

Results and dividends

The profit for the period, after taxation, amounted to £830,264 (2015 - £1,299,583).

Directors

The directors who served during the period were:

R Glasspole
T L Fulton
M B Bokorney (appointed 8 February 2016)
N V Askew (appointed 3 October 2016)
A J Carlson (resigned 8 February 2016)
S Hancox (resigned 3 October 2016)

Research and development activities

Research and development expenditure is written off as incurred.

Post balance sheet events

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

Directors' responsibilities statement

The directors are responsible for preparing the Strategic report, the Directors' report and the audited financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare audited financial statements for each financial year. Under that law the directors have elected to prepare the audited 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 audited 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 audited 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 audited 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 audited 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.

Directors' Report (continued)
For the Period 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.

Auditor

BDO LLP resigned as auditors in April 2016, and Grant Thornton UK LLP were appointed in their place.

The auditor, Grant Thornton UK LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 1 June 2017 and signed on its behalf.

R Glasspole

R Glasspole
Director

Grant Thornton

Independent Auditor's Report to the Members of Sun Hydraulics Limited

We have audited the financial statements of Sun Hydraulics Limited for the period ended 31 December 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 the 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

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council'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 31 December 2016 and of its profit for the period 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.

Grant Thornton

Independent Auditor's Report to the Members of Sun Hydraulics Limited (continued)

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 period for which the financial statements are prepared is consistent with those 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 under the Companies Act 2006

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report 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.

Grant Thornton UK LLP

Kathryn Godfree (Senior statutory auditor)
for and on behalf of
Grant Thornton UK LLP
Statutory Auditor
Chartered Accountants
Birmingham

2 June 2017

Statement of Comprehensive Income

For the Period Ended 31 December 2016

	Note	2016 £	2015 £
Turnover	4	**11,387,093**	11,747,146
Cost of sales		**(8,034,470)**	(8,146,790)
Exceptional cost of sales		**(199,305)**	-
Gross profit		**3,153,318**	3,600,356
Administrative expenses		**(2,096,593)**	(2,006,729)
Exceptional administrative expenses		**(264,455)**	-
Other operating income	5	**201,781**	44,371
Operating profit	6	**994,051**	1,637,998
Interest receivable and similar income	9	**73,416**	84,622
Profit before tax		**1,067,467**	1,722,620
Tax on profit	10	**(237,203)**	(423,037)
Profit for the financial period		**830,264**	1,299,583

There was no other comprehensive income in the current or prior period.

The notes on pages 9 to 24 form part of these financial statements.

Sun Hydraulics Limited
Registered number:1914045

Statement of Financial Position

As at 31 December 2016

	Note		2016 £		2015 £
Fixed assets					
Tangible assets	11		**3,877,132**		4,293,948
			3,877,132		4,293,948
Current assets					
Stocks	12	**867,029**		680,487	
Debtors: amounts falling due within one year	13	**2,262,296**		1,672,757	
Current asset investments	14	**-**		2,000,000	
Cash at bank and in hand	15	**14,541,117**		11,848,870	
		17,670,442		16,202,114	
Creditors: amounts falling due within one year	16	**(1,387,484)**		(1,168,654)	
Net current assets			**16,282,958**		15,033,460
Total assets less current liabilities			**20,160,090**		19,327,408
Provisions for liabilities					
Deferred tax	18	**(184,174)**		(181,756)	
			(184,174)		(181,756)
Net assets			**19,975,916**		19,145,652
Capital and reserves					
Called up share capital	19		**1,140,000**		1,140,000
Profit and loss account	20		**18,835,916**		18,005,652
			19,975,916		19,145,652

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 1 June 2017.

R Glasspole

R Glasspole
Director

The notes on pages 9 to 24 form part of these financial statements.

Statement of Changes in Equity

For the Period Ended 31 December 2016

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 3 January 2016	1,140,000	18,005,652	19,145,652
Comprehensive income for the period			
Profit for the period	-	830,264	830,264
Total comprehensive income for the period	-	830,264	830,264
Total transactions with owners	-	-	-
At 31 December 2016	1,140,000	18,835,916	19,975,916

Statement of Changes in Equity

For the Period Ended 2 January 2016

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 28 December 2014	1,140,000	16,706,069	17,846,069
Comprehensive income for the period			
Profit for the period	-	1,299,583	1,299,583
Total comprehensive income for the period	-	1,299,583	1,299,583
Total transactions with owners	-	-	-
At 2 January 2016	1,140,000	18,005,652	19,145,652

The notes on pages 9 to 24 form part of these financial statements.

Notes to the Financial Statements
For the Period Ended 31 December 2016

1. General information

The company is limited by shares and is incorporated in England and Wales. Its registered office is at 5 New Street Square, London, EC47 3TW.

The principal activity of the Company is the supply of hydraulic screw-in cartridges and manifolds for use on all types of mobile and industrial machinery.

The Company uses a 91 day accounting period per quarter, meaning the year end does not always fall on the last day of the calendar year. Therefore, the accounting period ended 31 December 2016 is herein referred to as 2016 and the accounting period ended 2 January 2016 will be referred to as 2015.

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 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 11.39 to 11.48A;
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.29;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included within the consolidated group financial statements of Sun Hydraulics Corporation as at 31 December 2016. These accounts are available to the public and may be obtained from 1500 West University Parkway, Sarasota, Florida, 34243, USA.

Notes to the Financial Statements
For the Period Ended 31 December 2016

2. Accounting policies (continued)

2.3 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue 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 revenue is recognised:

Sale of goods

Revenue 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 revenue 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 the straight-line method.

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, 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.

2.5 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 first in, first outbasis. Work in progress and finished goods include labour and attributable overheads.

At each reporting 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.

Notes to the Financial Statements
For the Period Ended 31 December 2016

2. Accounting policies (continued)

2.6 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.

2.7 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.

2.8 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.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

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.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the reporting date.

Financial assets and liabilities are offset and the net amount reported in the Statement of financial position when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

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 Period Ended 31 December 2016

2. Accounting policies (continued)

2.10 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

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.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of comprehensive income except when deferred in other comprehensive income as qualifying cash flow hedges.

2.11 Share based payments

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to the statement of comprehensive income over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each statement of financial position date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. 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 statement of comprehensive income over the remaining vesting period. Where equity instruments are granted to persons other than employees, the statement of comprehensive income is charged with fair value of goods and services received.

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

2.12 Operating leases: the Company as lessee

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

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

Notes to the Financial Statements
For the Period Ended 31 December 2016

2. Accounting policies (continued)

2.13 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 Statement of financial position. The assets of the plan are held separately from the Company in independently administered funds.

2.14 Interest income

Interest income is recognised in the Statement of comprehensive income using the effective interest method.

2.15 Provisions for liabilities

Provisions are made 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 Statement of financial position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of financial position.

Notes to the Financial Statements
For the Period Ended 31 December 2016

2. Accounting policies (continued)

2.16 Current and deferred taxation

The tax expense for the period 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 reporting 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 Statement of financial position 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 reporting date.

2.17 Exceptional items

Exceptional items are transactions that fall within the ordinary activities of the Company but are presented separately due to their size or incidence.

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

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

Tangible fixed assets
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.

Stocks
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 the statement of comprehensive income.

Trade debtors
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 the statement of comprehensive income.

Notes to the Financial Statements
For the Period Ended 31 December 2016

4. Turnover

Analysis of turnover by country of destination:

	2016	2015
	£	£
United Kingdom	**5,819,717**	6,106,879
Rest of Europe	**4,236,651**	4,089,198
Rest of the World	**1,330,725**	1,551,069
	11,387,093	11,747,146

5. Other operating income

	2016	2015
	£	£
Foreign exchange differences	**201,781**	44,371

6. Operating profit

The operating profit is stated after charging:

	2016	2015
	£	£
Depreciation of tangible fixed assets	**505,141**	527,485
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	**39,500**	24,740
- The audit of the Company's subsidiaries pursuant to legislation	**-**	1,250
Exchange differences	**(201,781)**	(44,371)
Other operating lease rentals	**3,668**	3,663
Defined contribution pension cost	**143,534**	165,222

Notes to the Financial Statements
For the Period Ended 31 December 2016

7. Employees

Staff costs were as follows:

	2016 £	2015 £
Wages and salaries	**1,963,554**	2,195,940
Social security costs	**218,673**	214,068
Cost of defined contribution scheme	**143,534**	165,222
	2,325,761	2,575,230

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

	2016 No.	2015 No.
Production Staff	**27**	36
Management Staff	**30**	27
	57	63

8. Directors' remuneration

	2016 £	2015 £
Directors' emoluments	**259,416**	221,678
Compensation for loss of office	**60,000**	-
Gains on restricted shares vesting	**142,537**	145,634
SIP Free shares	**9,744**	7,200
Company contributions paid to money purchase pension scheme	**24,609**	40,188
	496,306	414,700

During the year retirement benefits were accruing to 3 directors (2015 - 2) in respect of the company's defined contribution scheme. The number of directors who exercised share options was 2 (2015 - 2).

The highest paid director received remuneration of £258,676 (2015 - £287,329).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £15,602 (2015 - £26,241).

The highest paid director also received shares through the restricted share scheme as well as SIP free shares during the year.

Total key managment personnel remuneration amounted to £726,096 (2015 - £613,438).

Notes to the Financial Statements
For the Period Ended 31 December 2016

9. Interest receivable

	2016	2015
	£	£
Bank interest receivable	**73,416**	84,622

10. Taxation

	2016	2015
	£	£
Corporation tax		
Current tax on profits for the year	**234,785**	361,477
Adjustments in respect of previous periods	**-**	2,152
	234,785	363,629
Total current tax	**234,785**	363,629
Deferred tax		
Origination and reversal of timing differences	**12,515**	20,837
Adjustment in respect of previous periods	**-**	56,451
Effective change in tax rate	**(10,097)**	(17,880)
Total deferred tax	**2,418**	59,408
Taxation on profit on ordinary activities	**237,203**	423,037

Notes to the Financial Statements
For the Period Ended 31 December 2016

10. Taxation (continued)

Factors affecting tax charge for the period

The tax assessed for the period is higher than (2015 - higher than) the standard rate of corporation tax in the UK of 20% (2015 - 20.25%). The differences are explained below:

	2016 £	2015 £
Profit on ordinary activities before tax	**1,067,467**	1,722,620
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2015 - 20.25%)	**213,493**	348,772
Effects of:		
Expenses not deductible for tax purposes	**43,208**	74,504
Fixed asset differences	**32,713**	32,819
Other permanent differences	**(41,007)**	(71,057)
Adjustment to deferred tax to average tax rate	**(12,196)**	(20,605)
Adjustments to tax charge in respect of prior periods	**-**	2,153
Deferred tax not recognised	**992**	-
Adjustments to tax charge in respect of prior periods - deferred tax	**-**	56,451
Total tax charge for the period	**237,203**	423,037

Factors that may affect future tax charges

The corporation tax rate changes to 19% from 1 April 2017 and to 17% from 1 April 2020.

Notes to the Financial Statements
For the Period Ended 31 December 2016

11. Tangible fixed assets

	Freehold land and buildings £	Plant and machinery £	Furniture and equipment £	Total £
Cost or valuation				
At 3 January 2016	5,253,103	6,445,776	921,153	12,620,032
Additions	4,364	17,179	70,211	91,754
Disposals	-	(495,040)	-	(495,040)
At 31 December 2016	5,257,467	5,967,915	991,364	12,216,746
Depreciation				
At 3 January 2016	2,010,727	5,512,048	803,309	8,326,084
Charge for the period on owned assets	170,495	262,623	72,023	505,141
Charge for the period on financed assets	-	(491,611)	-	(491,611)
At 31 December 2016	2,181,222	5,283,060	875,332	8,339,614
Net book value				
At 31 December 2016	3,076,245	684,855	116,032	3,877,132
At 2 January 2016	3,242,376	933,728	117,844	4,293,948

12. Stocks

	2016 £	2015 £
Raw materials	52,973	43,068
Work in progress	23,167	46,935
Finished goods	790,889	590,484
	867,029	680,487

Stock recognised in cost of sales during the period as an expense was £6,020,688 (2015 - £5,972,613).

An impairment loss of £24,074 (2015 - £24,036) was recognised in cost of sales against stock during the period due to slow-moving and obsolete stock.

Notes to the Financial Statements

For the Period Ended 31 December 2016

13. Debtors

	2016 £	2015 £
Trade debtors	**1,829,787**	1,253,820
Amounts owed by group undertakings	**86,205**	53,546
Other debtors	**195,888**	85,318
Prepayments and accrued income	**150,416**	280,073
	2,262,296	1,672,757

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

The debit recognised in the profit or loss for the period in respect of bad and doubtful trade debtors was £15,270 (2015 - credit of £1,114).

14. Current asset investments

	2016 £	2015 £
Other investments	**-**	2,000,000

Current asset investments in the prior period related to amounts held in treasury deposit accounts, which had an initial term to maturity in excess of 3 months. These have matured in the current period.

15. Cash and cash equivalents

	2016 £	2015 £
Cash at bank and in hand	**14,541,117**	11,848,870

Notes to the Financial Statements
For the Period Ended 31 December 2016

16. Creditors: Amounts falling due within one year

	2016 £	2015 £
Trade creditors	**340,180**	251,347
Amounts owed to group undertakings	**534,435**	361,542
Corporation tax	**134,784**	161,478
Other taxation and social security	**45,064**	54,817
Other creditors	**66,799**	145,397
Accruals and deferred income	**266,222**	194,073
	1,387,484	1,168,654

17. Financial instruments

	2016 £	2015 £
Financial assets		
Cash and cash equivalents	**14,541,117**	11,949,870
Financial assets measured at amortised cost	**2,111,880**	3,291,684
	16,652,997	15,241,554
Financial liabilities		
Financial liabilities measured at amortised cost	**1,207,636**	952,359

Cash and cash equivalents represent cash in hand and highly liquid investments that mature into known amounts of cash with insignificant risk of change in value.

Financial assets measured at amortised cost comprise trade debtors, amounts owed by group undertakings and other debtors.

Financial liabilities measured at amortised cost comprise trade creditors, amounts owed to group undertakings, accruals and other creditors.

Notes to the Financial Statements

For the Period Ended 31 December 2016

18. Deferred taxation

	2016 £
At beginning of period	**(181,756)**
Charged to profit or loss	**(2,418)**
At end of period	**(184,174)**

The provision for deferred taxation is made up as follows:

	2016 £	2015 £
Accelerated capital allowances	**(204,606)**	(229,866)
Other timing differences	**20,432**	48,110
	(184,174)	(181,756)

19. Share capital

	2016 £	2015 £
Allotted, called up and fully paid		
1,140,000 Ordinary shares of £1 each	**1,140,000**	1,140,000

20. Reserves

Profit and loss account

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

Notes to the Financial Statements
For the Period Ended 31 December 2016

21. Share-based cash settled payments

The company participate in two share-based payment schemes in respect of certain of its employees, as follows:

Restricted share scheme

	Shares to vest at 2 January 2016	Shares vested during the year	Shares granted during the year £	Shares to vest at 31 December 2016 £
Restricted shares	13,950	(8,000)	-	5,950

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 split over 24 months and one third over 36 months. An amount of £109,715 (2015 - £200,687) has been expensed through the statement of comprehensive income in respect of these plans.

Share investment 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 £40,952 (2015 - £86,060) has been expensed to the statement of comprehensive income in respect of the Free shares awarded during the year. There is a creditor of £27,217 (2015 - £89,088) at the year end in relation to SIP shares awarded which will be activated in 2017.

In addition, in relation to 2016 an amount of £7,174 (2015 - £8,446) has been expensed through the statement of comprehensive income in respect of Matching shares.

Notes to the Financial Statements
For the Period Ended 31 December 2016

22. Capital commitments

At 31 December 2016 the Company had capital commitments as follows:

	2016 £	2015 £
Contracted for but not provided in these financial statements	**6,000**	14,520

23. Pension commitments

The company operates a defined contribution group personal pension scheme. The assets of the scheme are held seprately from those of the company in an independently administered fund. The pension charge amounted to £143,534 (2015 - £165,222). There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

24. 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	**2,076**	3,663
Later than 1 year and not later than 5 years	**-**	2,076
	2,076	5,739

25. Ultimate parent undertaking and controlling party

Sun Hydraulics Corporation is the ultimate parent undertaking. There is no ultimate controlling party by virtue of the shareholdings.

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 group financial statements of Sun Hydraulics Corporation 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.