
SUN HYDRAULICS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 29 DECEMBER 2018



SUN HYDRAULICS LIMITED

COMPANY INFORMATION

Directors	N V Askew A L V Ore M Bennett G A P Gotting
Company secretary	Taylor Wessing Secretaries Limited
Registered number	01914045
Registered office	Taylor Wessing Secretaries Limited 5 New Street Square London EC47 3TW
Independent auditor	Grant Thornton UK LLP Chartered Accountants & Statutory Auditor The Colmore Building 20 Colmore Circus Birmingham West Midlands B4 6AT

SUN HYDRAULICS LIMITED

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SUN HYDRAULICS LIMITED

STRATEGIC REPORT FOR THE PERIOD ENDED 29 DECEMBER 2018

The directors present their strategic report together with the audited financial statements for the year ended 29 December 2018.

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 2018 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 this impact.

Future developments

We have a clear strategic 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, uncertainties and financial instruments

Financial risk management

Currency 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 29 December 2018 the company's cash and investments balance was £1.5m (2017: £16.1m), with a £14.9m dividend issued during the year, contributing to the decrease seen here.

This report was approved by the board on

and signed on its behalf.


M Bennett
Director

SUN HYDRAULICS LIMITED

DIRECTORS' REPORT FOR THE PERIOD ENDED 29 DECEMBER 2018

The directors present their report and the audited financial statements for the year ended 29 December 2018.

Results and dividends

The profit for the year, after taxation, amounted to £1,489,894 (2017 - £1,408,918).

Directors

The directors who served during the year were:

N V Askew
A L V Ore
M Bennett
G A P Gotting

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 financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law, including FRS 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 audited financial statements, the directors are required to:

- select suitable accounting policies 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 to 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of audited financial statements and other information included in Directors' reports may differ from legislation in other jurisdictions.

Matters covered in the strategic report

Matters included in the Strategic report include the business review and future developments, along with principal risks, uncertainties and financial instruments.

SUN HYDRAULICS LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE PERIOD ENDED 29 DECEMBER 2018**

Qualifying third party indemnity provisions

The company has provided qualifying third party indemnity provisions in respect of its directors which were in force during the period and at the date of this report.

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.

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

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

and signed on its behalf.


M Bennett
Director

25/9/19.



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS, AS A BODY, OF SUN HYDRAULICS LIMITED

Opinion

We have audited the financial statements of Sun Hydraulics Limited (the 'company') for the year ended 29 December 2018, which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and notes to the financial statements, 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 29 December 2018 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 UK, including the FRC'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.



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS, AS A BODY, OF SUN HYDRAULICS LIMITED (CONTINUED)

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 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.

Opinions 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.

Matter 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 or the Directors' report.

Matters on which we are required to report by exception

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.



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS, AS A BODY, OF SUN HYDRAULICS LIMITED (CONTINUED)

Responsibilities of directors for the financial statements

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.

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.

Grant Thornton UK LLP

Natalie Gladwin BSc FCA
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Birmingham
Date: *25 September 2019*

SUN HYDRAULICS LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 29 DECEMBER 2018**

	Note	2018 £	2017 £
Turnover	4	13,305,709	12,685,776
Cost of sales		(9,176,415)	(8,863,535)
Gross profit		4,129,294	3,822,241
Administrative expenses		(2,259,318)	(2,055,000)
Other operating expense	5	(1,704)	(42,517)
Operating profit	6	1,868,272	1,724,724
Interest receivable and similar income	9	13,065	48,969
Profit before tax		1,881,337	1,773,693
Tax on profit	10	(391,443)	(364,775)
Profit for the financial year		1,489,894	1,408,918
Total comprehensive income for the year		1,489,894	1,408,918

There were no recognised gains and losses for 2018 or 2017 other than those included in the statement of comprehensive income.

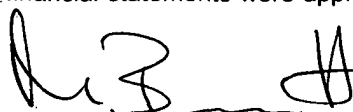
The notes on pages 10 to 26 form part of these financial statements.

SUN HYDRAULICS LIMITED
REGISTERED NUMBER:01914045

STATEMENT OF FINANCIAL POSITION
AS AT 29 DECEMBER 2018

	Note	29 December 2018 £	31 December 2017 £
Fixed assets			
Tangible assets	12	3,832,649	3,780,539
		<u>3,832,649</u>	<u>3,780,539</u>
Current assets			
Stocks	13	1,019,242	1,021,568
Debtors: amounts falling due within one year	14	3,209,557	2,247,965
Cash at bank and in hand	15	1,456,006	16,066,113
		<u>5,684,805</u>	<u>19,335,646</u>
Creditors: amounts falling due within one year	16	(1,269,643)	(1,522,018)
Net current assets		<u>4,415,162</u>	<u>17,813,628</u>
Total assets less current liabilities		<u>8,247,811</u>	<u>21,594,167</u>
Provisions for liabilities			
Deferred tax	18	(224,112)	(209,333)
		<u>(224,112)</u>	<u>(209,333)</u>
Net assets		<u><u>8,023,699</u></u>	<u><u>21,384,834</u></u>
Capital and reserves			
Called up share capital	19	1,140,000	1,140,000
Profit and loss account	20	6,883,699	20,244,834
		<u>8,023,699</u>	<u>21,384,834</u>

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


M Bennett
Director
25/9/19.

The notes on pages 10 to 26 form part of these financial statements.

SUN HYDRAULICS LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 29 DECEMBER 2018**

	Called up share capital £	Profit and loss account £	Total equity £
At 1 January 2018	1,140,000	20,244,834	21,384,834
Comprehensive income for the year			
Profit for the year	-	1,489,894	1,489,894
Other comprehensive income for the year	-	-	-
Total comprehensive income for the year	-	1,489,894	1,489,894
Dividends paid	-	(14,851,029)	(14,851,029)
Total transactions with owners	-	(14,851,029)	(14,851,029)
At 29 December 2018	1,140,000	6,883,699	8,023,699

The notes on pages 10 to 26 form part of these financial statements.

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

	Called up share capital £	Profit and loss account £	Total equity £
At 1 January 2017	1,140,000	18,835,916	19,975,916
Comprehensive income for the year			
Profit for the year	-	1,408,918	1,408,918
Other comprehensive income for the year	-	-	-
Total comprehensive income for the year	-	1,408,918	1,408,918
Total transactions with owners	-	-	-
At 31 December 2017	1,140,000	20,244,834	21,384,834

The notes on pages 10 to 26 form part of these financial statements.

SUN HYDRAULICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 29 DECEMBER 2018

1. General information

Sun Hydraulics Limited is a private company limited by shares and incorporated in England and Wales. Its registered office is located 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 29 December 2018 is herein referred to as 2018 and the accounting period ended 31 December 2017 will be referred to as 2017.

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 29 December 2018. These accounts are available to the public and may be obtained from 1500 West University Parkway, Sarasota, Florida, 34243, USA.

SUN HYDRAULICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 29 DECEMBER 2018

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.

Assets under construction

For those projects in construction, assets are capitalised as and when expenditure is incurred and only depreciated from the point of completion, when the asset is ready for use. The depreciation policies on these assets are in line with those stated above.

SUN HYDRAULICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 29 DECEMBER 2018

2. Accounting policies (continued)

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 out basis. 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.

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 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.

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 the 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.

SUN HYDRAULICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 29 DECEMBER 2018

2. Accounting policies (continued)

2.8 Financial instruments (continued)

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.

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.

SUN HYDRAULICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 29 DECEMBER 2018

2. Accounting policies (continued)

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.

2.13 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.

2.14 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.

2.15 Interest income

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

2.16 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 period 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.

SUN HYDRAULICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 29 DECEMBER 2018

2. Accounting policies (continued)

2.17 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.

3. Judgements 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.

SUN HYDRAULICS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 29 DECEMBER 2018**

4. Turnover

Analysis of turnover by country of destination:

	2018 £	2017 £
United Kingdom	6,939,111	6,887,839
Rest of Europe	5,152,212	4,452,909
Rest of the World	1,214,386	1,345,028
	<u>13,305,709</u>	<u>12,685,776</u>

5. Other operating expense

	2018 £	2017 £
Loss on foreign exchange differences	<u>(1,704)</u>	<u>(42,517)</u>

6. Operating profit

The operating profit is stated after charging:

	2018 £	2017 £
Depreciation of tangible fixed assets	408,380	436,651
Fees payable to the company's auditor in respect of audit services for the company	18,700	27,100
Fees payable to the company's auditor in respect of financial statement preparation	750	750
Other operating lease rentals	<u>4,317</u>	<u>4,617</u>

SUN HYDRAULICS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 29 DECEMBER 2018**

7. Employees

Staff costs were as follows:

	2018	2017
	£	£
Wages and salaries	1,916,065	1,702,981
Social security costs	206,643	160,445
Cost of defined contribution scheme	87,241	88,164
	<u>2,209,949</u>	<u>1,951,590</u>

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

	2018	2017
	No.	No.
Production staff	30	23
Management staff	23	23
	<u>53</u>	<u>46</u>

SUN HYDRAULICS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 29 DECEMBER 2018**

8. Directors' remuneration

	29 December 2018 £	<i>31 December 2017 £</i>
Directors' remuneration	203,339	<i>189,736</i>
SIP Free shares	-	<i>2,230</i>
Company contributions paid to money purchase pension scheme	5,788	<i>2,869</i>
	<u>209,127</u>	<i><u>194,835</u></i>

During the period, no retirement benefits were accrued to directors (2017: 2) in respect of the company's defined contribution scheme. No directors exercised share options in the year (2017: 2).

The highest paid director received remuneration of £142,081 (2017: £100,961).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £4,003 (2017: £2,249).

Total key management personnel remuneration amounted to £489,596 (2017: £515,408).

9. Interest receivable

	2018 £	<i>2017 £</i>
Bank interest receivable	<u>13,065</u>	<i><u>48,969</u></i>

SUN HYDRAULICS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 29 DECEMBER 2018**

10. Taxation

	2018 £	2017 £
Corporation tax		
Current tax on profits for the period	368,929	339,616
Adjustments in respect of previous periods	7,737	-
Total current tax	<u>376,666</u>	<u>339,616</u>
Deferred tax		
Origination and reversal of timing differences	14,944	25,159
Adjustment in respect of previous year	1,407	-
Effect of changes in tax rates	(1,574)	-
Total deferred tax	<u>14,777</u>	<u>25,159</u>
Taxation on profit on ordinary activities	<u>391,443</u>	<u>364,775</u>

SUN HYDRAULICS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 29 DECEMBER 2018**

10. Taxation (continued)

Factors affecting tax charge for the period

The tax assessed for the year is higher than (2017 - *higher than*) the standard rate of corporation tax in the UK of 19.00% (2017 : 19.25%). The differences are explained below:

	2018 £	2017 £
Profit on ordinary activities before tax	<u>1,881,337</u>	<u>1,773,693</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.00% (2017 - 19.25%)	357,454	337,882
Effects of:		
Expenses not deductible for tax purposes	26,420	7,815
Capital allowances for period in excess of depreciation	-	30,478
Adjustment in respect of previous year	9,143	(18,741)
Adjustment to deferred tax to average tax rate	(1,574)	(3,325)
R&D expenditure credits	-	1,797
Timing differences not recognised	-	8,869
Total tax charge for the year	<u><u>391,443</u></u>	<u><u>364,775</u></u>

Factors that may affect future tax charges

The corporation tax rate changes to 17% from April 2020.

11. Dividends

	29 December 2018 £	31 December 2017 £
Ordinary		
Dividends paid	<u><u>14,851,029</u></u>	<u><u>-</u></u>

SUN HYDRAULICS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 29 DECEMBER 2018**

12. Tangible fixed assets

	Freehold property £	Plant and machinery £	Fixtures and fittings £	Assets under construction £	Total £
Cost or valuation					
At 1 January 2018	5,262,022	6,039,558	1,182,766	72,458	12,556,804
Additions	36,273	206,535	218,189	-	460,997
Disposals	-	(46,644)	-	-	(46,644)
Transfers between classes	-	72,458	-	(72,458)	-
At 29 December 2018	<u>5,298,295</u>	<u>6,271,907</u>	<u>1,400,955</u>	<u>-</u>	<u>12,971,157</u>
Depreciation					
At 1 January 2018	2,346,577	5,492,453	937,235	-	8,776,265
Charge for the Year on owned assets	132,959	152,129	123,292	-	408,380
Disposals	-	(46,137)	-	-	(46,137)
At 29 December 2018	<u>2,479,536</u>	<u>5,598,445</u>	<u>1,060,527</u>	<u>-</u>	<u>9,138,508</u>
Net book value					
At 29 December 2018	<u>2,818,759</u>	<u>673,462</u>	<u>340,428</u>	<u>-</u>	<u>3,832,649</u>
At 31 December 2017	<u>2,915,445</u>	<u>547,105</u>	<u>245,531</u>	<u>72,458</u>	<u>3,780,539</u>

SUN HYDRAULICS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 29 DECEMBER 2018**

13. Stocks

	2018 £	2017 £
Raw materials	50,675	69,618
Work in progress	58,295	23,240
Finished goods	910,272	928,710
	<u>1,019,242</u>	<u>1,021,568</u>

Stock recognised in cost of sales during the period as an expense was £7,385,149 (2017: £7,214,968).

An impairment loss of £50,336 (2017: £11,649) was recognised in cost of sales against stock during the year due to slow-moving and obsolete stock.

14. Debtors

	2018 £	2017 £
Trade debtors	1,977,907	1,898,736
Amounts owed by group undertakings	904,986	136,583
Other debtors	180,879	108,969
Prepayments and accrued income	145,785	103,677
	<u>3,209,557</u>	<u>2,247,965</u>

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

The amounts owed by group undertakings are unsecured and repayable on demand, bearing no interest.

The impairment loss recognised in the profit or loss for the period in respect of bad and doubtful trade debtors was £12,355 (2017: £24,811).

15. Cash and cash equivalents

	2018 £	2017 £
Cash at bank and in hand	<u>1,456,006</u>	<u>16,066,113</u>

SUN HYDRAULICS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 29 DECEMBER 2018**

16. Creditors: Amounts falling due within one year

	2018 £	2017 £
Trade creditors	306,064	203,807
Amounts owed to group undertakings	486,080	727,846
Corporation tax	148,741	147,281
Other taxation and social security	62,870	44,914
Other creditors	69,551	74,603
Accruals and deferred income	196,337	323,567
	<u>1,269,643</u>	<u>1,522,018</u>

The amounts owed to group undertakings are unsecured and repayable on demand, bearing no interest.

17. Financial instruments

	2018 £	2017 £
Financial assets		
Cash and cash equivalents	1,456,006	16,066,113
Financial assets measured at amortised cost	3,062,173	2,144,288
	<u>4,518,179</u>	<u>18,210,401</u>
Financial liabilities		
Financial liabilities measured at amortised cost	<u>1,058,032</u>	<u>1,329,823</u>

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.

SUN HYDRAULICS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 29 DECEMBER 2018**

18. Deferred taxation

	2018 £
At beginning of period	(209,333)
Charged to profit or loss	(14,779)
At end of period	(224,112)

The provision for deferred taxation is made up as follows:

	2018 £	2017 £
Accelerated capital allowances	(238,321)	(221,376)
Short term timing differences	14,209	12,043
	(224,112)	(209,333)

19. Share capital

	2018 £	2017 £
Allotted, called up and fully paid		
1,140,000 (2017 - 1,140,000) Ordinary shares of £1.00 each	1,140,000	1,140,000

20. Reserves

Profit and loss account

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

SUN HYDRAULICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 29 DECEMBER 2018

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 1 January 2018 £	Shares vested/voided during the period £	Shares granted during the period £	Shares to vest at 31 December 2018 £
Restricted shares	3,800	-	-	3,800

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 £57,811 (2017: £34,807) 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 £15,876 (2017: £66,956) has been expensed to the statement of comprehensive income in respect of the Free shares awarded during the period. There is a creditor of £59,616 (2017: £30,416) at the period end in relation to SIP shares.

In addition, in relation to 2018 an amount of £5,784 (2017: £6,301) has been expensed through the Statement of comprehensive income in respect of Matching shares.

SUN HYDRAULICS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 29 DECEMBER 2018**

22. Contingent liabilities

The company have no contingent liabilities at 29 December 2018 and 31 December 2017.

23. Capital commitments

The company had capital commitments as follows:

	29 December 2018 £	31 December 2017 £
Contracted for but not provided in these financial statements	-	26,969

24. Pension commitments

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 £87,241 (2017: £88,164). There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

25. Operating lease commitments

At 29 December 2018 the company had future minimum lease payments under non-cancellable operating leases as follows:

	29 December 2018 £	31 December 2017 £
Not later than 1 year	4,394	4,394
Later than 1 year and not later than 5 years	2,197	6,591

26. 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.