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Company Registration No. 2598826 (England and Wales)

**HYDAC LIMITED**  
**AND**  
**SUBSIDIARY COMPANIES**

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2003**



# HYDAC LIMITED AND SUBSIDIARY COMPANIES

## COMPANY INFORMATION

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<b>Directors</b>	W.H. Dieter O.P. Schon
<b>Secretary</b>	R. Huber
<b>Company number</b>	2598826
<b>Registered office</b>	55 Station Road, Beaconsfield, Bucks. HP9 1QL
<b>Auditors</b>	Rouse & Co., 55 Station Road, Beaconsfield, Bucks. HP9 1QL
<b>Bankers</b>	National Westminster Bank Plc, 1 Penn Road, Beaconsfield, Bucks. HP9 2PU
<b>Solicitors</b>	B.P. Collins & Co., Collins House, 32-38 Station Road, Gerrards Cross, Bucks. SL9 8EL

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# HYDAC LIMITED AND SUBSIDIARY COMPANIES

## CONTENTS

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	Page
Directors' report	1 - 2
Independent auditors' report	3 - 4
Consolidated profit and loss account	5
Statement of total recognised gains and losses	6
Consolidated balance sheet	7
Balance sheet	8
Consolidated cash flow statement	9
Notes to the consolidated cash flow statement	10 - 11
Notes to the financial statements	12 - 20

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# HYDAC LIMITED AND SUBSIDIARY COMPANIES

## DIRECTORS' REPORT

**FOR THE YEAR ENDED 31 DECEMBER 2003**

The directors present their report and financial statements of the company and the group for the year ended 31 December 2003.

### Principal Activities and Review of the Business

During the year the group's principal activity was that of manufacturers and distributors of hydraulic components, filtration products, accumulators, controls and electronics. The group markets both in the U.K. and overseas, and provides a research and design department as well as a full testing, repairing and maintenance service to its customers.

A summary of the results of the year's trading is set out in the financial statements on pages 4 to 20.

The profit for the year before taxation was £2,059,956 (2002- £1,161,409). The directors consider the results to be satisfactory and expect growth in the future.

### Results and Dividends

The results for the year are set out on page 5.

It is proposed that the retained profit of £1,299,956 (2002 profit - £76,751) be transferred to reserves.

### Fixed Assets

The significant changes in fixed assets during the year are explained in notes 8, 9 and 10 to the financial statements.

### Directors' Interests

The directors' beneficial interests in the shares of the company were as stated below:

	Ordinary Shares of £ 1 each	
	31 December 2003	1 January 2003
W.H. Dieter	-	-
O.P. Schon	-	-

Mr. W.H. Dieter and Mr. O.P. Schon hold interests in the shares of the ultimate parent company.

### Employee Involvement

The company's policy is to consult and discuss with employees, through unions, staff councils and at meetings, matters likely to affect employees' interests.

Information of matters of concern to employees is given through information bulletins and reports which seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting the group's performance.

There is no employee share scheme at present, but the directors are considering the introduction of such a scheme as a means of further encouraging the involvement of employees in the company's performance.

### Disabled Persons

The company's policy is to recruit disabled workers for those vacancies that they are able to fill. All necessary assistance with initial training courses is given. Once employed, a career plan is developed so as to ensure suitable opportunities for each disabled person. Arrangements are made, wherever possible, for retraining employees who become disabled, to enable them to perform work identified as appropriate to their aptitudes and abilities.

# HYDAC LIMITED AND SUBSIDIARY COMPANIES

## DIRECTORS' REPORT

**FOR THE YEAR ENDED 31 DECEMBER 2003**

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### Auditors

In accordance with Section 385 of the Companies Act 1985, a resolution proposing that Rouse & Co., be re-appointed as auditors of the company will be put to the Annual General Meeting.


### Directors' Responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that year. In preparing those financial statements, the directors are required to:

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

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By order of the Board

  
W. H. Dieter  
Director  
20.9.04

# HYDAC LIMITED AND SUBSIDIARY COMPANIES

## INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF HYDAC LIMITED AND SUBSIDIARY COMPANIES

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We have audited the financial statements of Hydac Limited and Subsidiary Companies on pages 5 to 20 which have been prepared under the historical cost convention and the accounting policies set out on pages 12 and 13.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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 purposes. To the fullest extent permitted by law, we do not assume any responsibility to anyone other than the company and the company's members as a body, for our work, for this report, or for the opinions we have formed.

### **Respective responsibilities of the directors and auditors**

As described in the statement of directors' responsibilities on page 2 the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

### **Basis of audit opinion**

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

As indicated in the Accounting Policies, the financial statements of the subsidiary companies, Hydac Technology Corporation., situated in U.S.A., Hydac Pty Ltd., situated in Australia and Hydac International S.A. D.E. C.V., situated in Mexico, are not required, by those countries, to be audited. In addition two further subsidiaries, Hydac Corporation situated in Canada and Hydac Technology Pte Ltd. situated in Singapore, have been audited by suitably qualified overseas auditors. It was considered impractical to perform additional independent tests on these financial statements provided to us by those auditors and we have, therefore, relied on their work.

# HYDAC LIMITED AND SUBSIDIARY COMPANIES

## INDEPENDENT AUDITORS' REPORT

### TO THE SHAREHOLDERS OF HYDAC LIMITED AND SUBSIDIARY COMPANIES

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#### Opinion: disclaimer on view given by 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 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985. However, due to the material nature and size of the unaudited subsidiaries, we are unable to form an opinion as to whether the financial statements give a true and fair view of the state of the group's affairs as at 31 December 2003 or of the group profit for the year then ended. In all other respects the financial statements have been properly prepared in accordance with the Companies Act 1985.

Rouse & Co., 

22.9.04

Chartered Accountants

Registered Auditor

55 Station Road,  
Beaconsfield,  
Bucks.  
HP9 1QL

# HYDAC LIMITED AND SUBSIDIARY COMPANIES

## CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2003

	Notes	2003 £	2002 £
<b>Turnover</b>	<b>2</b>	39,516,977	29,304,227
Cost of sales		(26,993,441)	(19,403,373)
<b>Gross profit</b>		12,523,536	9,900,854
Distribution costs		(4,630,442)	(3,509,667)
Administrative expenses		(6,161,130)	(5,374,433)
Other operating income	<b>3</b>	67,826	71,880
<b>Operating profit</b>	<b>4</b>	1,799,790	1,088,634
Interest receivable	<b>5</b>	442,641	81,264
Interest payable and similar charges		(182,475)	(8,489)
<b>Profit on ordinary activities before taxation</b>		2,059,956	1,161,409
Tax on profit on ordinary activities	<b>6</b>	(726,212)	(474,898)
<b>Profit on ordinary activities after taxation</b>		1,333,744	686,511
Dividends	<b>7</b>	-	(592,325)
Minority interest		(33,788)	(17,435)
<b>Retained profit for the year</b>	<b>17</b>	1,299,956	76,751

The profit and loss account has been prepared on the basis that all operations are continuing operations.

Retained by the Holding Company	390,372	36,049
Retained by the Subsidiaries	909,584	40,702
	1,299,956	76,751



## HYDAC LIMITED AND SUBSIDIARY COMPANIES

### CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 DECEMBER 2003

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	2003 £	2002 £
Profit for the financial year	1,299,956	76,751
Write back of provisions	-	160,000
Exchange adjustment on consolidation	(1,120,652)	(1,638,666)
<b>Total gains and losses recognised since last financial statements</b>	<b>179,304</b>	<b>(1,401,915)</b>

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# HYDAC LIMITED AND SUBSIDIARY COMPANIES

## CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2003

	Notes	2003		2002	
		£	£	£	£
<b>Fixed Assets</b>					
Intangible assets	8	873,652		-	
Tangible assets	9	6,682,148		4,520,650	
		<u>7,555,800</u>		<u>4,520,650</u>	
<b>Current Assets</b>					
Stocks	11	6,182,815	4,446,970		
Debtors	12	7,846,330	9,439,121		
Cash at bank and in hand		2,737,302	1,293,234		
		<u>16,766,447</u>	<u>15,179,325</u>		
<b>Creditors: amounts falling due within one year</b>	13	<u>(7,703,887)</u>	<u>(3,319,883)</u>		
<b>Net Current Assets</b>		<u>9,062,560</u>		<u>11,859,442</u>	
<b>Total Assets Less Current Liabilities</b>		<u>16,618,360</u>		<u>16,380,092</u>	
<b>Creditors: amounts falling due after more than one year</b>	14	(35,903)	(30,915)		
<b>Provisions for Liabilities and Charges</b>	15	(54,734)	(58,812)		
		<u>16,527,723</u>		<u>16,290,365</u>	
<b>Capital and Reserves</b>					
Called up share capital	16	1,550,000	1,550,000		
Minority interests - equity interest		296,973	238,919		
Reserve on consolidation	19	5,118,795	5,118,795		
Profit and loss account	17	9,561,955	9,382,651		
<b>Shareholders' Funds - equity interests</b>	18	<u>16,527,723</u>	<u>16,290,365</u>		

The financial statements were approved by the Board on 20.9.04

O.P. Schon  
Director

# HYDAC LIMITED

## BALANCE SHEET AS AT 31 DECEMBER 2003

	Notes	2003		2002	
		£	£	£	£
<b>Fixed Assets</b>					
Investments	10		4,951,866		4,951,866
<b>Current Assets</b>					
Debtors	12	248,749		13,500	
Cash at bank and in hand		254,667		99,557	
		503,416		113,057	
<b>Creditors: amounts falling due within one year</b>	13	(10,513)		(10,526)	
<b>Net Current Assets</b>			492,903		102,531
<b>Total Assets Less Current Liabilities</b>			5,444,769		5,054,397
<b>Capital and Reserves</b>					
Called up share capital	16		1,550,000		1,550,000
Profit and loss account	17		3,894,769		3,504,397
<b>Shareholders' Funds - equity interests</b>	18		5,444,769		5,054,397

The financial statements were approved by the Board on 20.9.04

O.P. Schor  
Director

# HYDAC LIMITED AND SUBSIDIARY COMPANIES

## CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2003

	Notes	2003 £	2002 £
<b>Net cash inflow from operating activities</b>	<b>(1)</b>	2,693,606	2,228,976
<b>Returns on investments and servicing of finance</b>			
Interest received	447,855	17,857	
Interest paid	(188,545)	(376)	
<b>Net cash (outflow)/inflow from returns on investments and servicing of finance</b>		259,310	17,481
<b>Taxation</b>			
Corporation tax paid	(199,534)	(549,849)	
Corporation tax repaid	7,640	-	
<b>Tax paid</b>		(191,894)	(549,849)
<b>Investing activities</b>			
Loans advanced to related companies	5,456,250	-	
Other loans advanced	141,694		
Repayment of loans	(1,888,938)	(130,145)	
Capital expenditure and financial investment	(2) (7,465,790)	(341,258)	
Proceeds from disposal of tangible assets	28,317	-	
<b>Net cash (inflow) for capital expenditure</b>		(3,728,467)	(471,403)
<b>Net cash (outflow)/ inflow before management of liquid resources and financing</b>		(967,445)	1,225,205
Equity dividends paid		-	(592,325)
<b>Management of liquid resources</b>			
Purchase of Treasury bills and Securities	-	(287,979)	
Sale of Treasury bills and Securities	2,376,518	-	
		2,376,518	(287,979)
<b>Increase in cash in the year</b>		1,409,073	344,901

# HYDAC LIMITED AND SUBSIDIARY COMPANIES

## NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2003

1	Reconciliation of operating profit to net cash inflow from operating activities	2003	2002
		£	£
	Operating profit	1,799,790	1,088,634
	Depreciation of tangible assets	789,163	668,357
	Amortisation of intangible assets	218,413	-
	Adjustment on disposal of tangible assets	(1,587)	5,246
	(Increase)/decrease in stocks	(16,888)	10,433
	(Increase) in debtors	(626,684)	(22,733)
	Increase in creditors within one year	549,136	482,393
	Unrealised loss on investments	(17,737)	(3,354)
	<b>Net cash inflow from operating activities</b>	<b>2,693,606</b>	<b>2,228,976</b>

## 2 Analysis of cash flows for headings netted in the cashflow statement

### Capital expenditure and financial investment

#### (i) Acquisition of assets and liabilities of Schroeder Industries Incorporated

On 15 May 2003, the group purchased certain assets and assumed liabilities of Schroeder Industries Incorporated. The fair valued of these identifiable assets and liabilities at the date of aquisition (including goodwill) are as follows:-

	£
Goodwill	1,092,065
Tangible fixed assets	2,409,199
Stock	1,861,913
Debtors	1,853,222
Trade creditors	(379,675)
Accruals	(193,551)
	<b>6,643,173</b>

#### (ii) Purchase of tangible fixed assets - other

822,617
<b>7,465,790</b>

3	Analysis of net funds	1 January 2003	Cash flow	Other non-cash changes	31 December 2003
		£	£	£	£
	Net cash:				
	Cash at bank and in hand	1,293,234	1,409,073	(34,995)	2,737,302
	<b>Net funds</b>	<b>1,293,234</b>	<b>1,409,073</b>	<b>(34,995)</b>	<b>2,737,302</b>

# HYDAC LIMITED AND SUBSIDIARY COMPANIES

## NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2003

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4	Reconciliation of net cash flow to movement in net debt	2003 £	2002 £
	Increase in cash in the year	1,409,073	344,901
	Effect of foreign exchange rate changes	34,995	(43,391)
	Opening net funds	1,293,234	991,724
		<hr/>	<hr/>
	Closing net funds	2,737,302	1,293,234
		<hr/>	<hr/>

# HYDAC LIMITED AND SUBSIDIARY COMPANIES

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2003

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### 1 Accounting Policies

#### 1.1 Accounting convention

The financial statements are prepared under the historical cost convention, except for the revaluation of certain assets, and in accordance with applicable accounting standards.

#### 1.2 Turnover

Turnover represents amounts receivable for goods and services net of VAT, or applicable local taxes, and trade discount.

#### 1.3 Goodwill

Acquired goodwill is written off in equal annual instalments over its estimated useful economic life.

#### 1.4 Research and development

Research and development expenditure is written off to the profit and loss account in the year in which it is incurred.

#### 1.5 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Freehold land and buildings	2% / 4% p.a. on valuation
Plant and machinery	20% / 25% p.a. on written down value / straight line method
Equipment, fixtures and fittings	20% / 33 1/3% p.a. on written down value / straight line method
Motor vehicles and trailer	25% / 30% p.a. on written down value / straight line method

#### 1.6 Leasing

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible assets and depreciated over the shorter of the lease term and their useful lives. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

#### 1.7 Investments

Fixed asset investments are stated at cost less provision for diminution in value.

#### 1.8 Stock

Stock is valued at the lower of cost and net realisable value.

#### 1.9 Pensions

Group companies operate various defined contribution pension schemes, the assets of which are held separately from those of the companies.

The pension costs charged in the financial statements represent the contributions payable by the companies during the year in accordance with FRS 17, or applicable local accounting and reporting standards in the case of overseas subsidiaries.

# HYDAC LIMITED AND SUBSIDIARY COMPANIES

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2003

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### 1.10 Deferred taxation

Deferred tax is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. The deferred tax balance has not been discounted.

The various accounting policies adopted by the overseas subsidiaries are dependent upon the local disclosure requirements in force, and may therefore differ. As noted in note 1.12, no deferred tax provision/charge is required in the financial statements of Hydac Technology Corporation, situated in U.S.A.

### 1.11 Foreign currency translation

Transactions denominated in foreign currencies are translated at the rate of exchange on the day the transaction occurs. Monetary assets and liabilities in foreign currencies are translated into sterling at the rates ruling at the balance sheet date.

The net assets and results of overseas subsidiaries are translated using the closing rate method, with profit and loss items translated at the rate ruling at the balance sheet date. Exchange differences arising on the consolidation of foreign subsidiaries are recorded as movements on reserves on the group balance sheet. All other exchange differences are recorded in the Profit and Loss Account.

### 1.12 Basis of consolidation

The group's financial statements are the result of the consolidation of the accounts of the company and its subsidiaries.

Intra-group transactions and balances have been eliminated on consolidation.

As permitted by the Companies Act 1985 the company has not presented its own Profit and Loss Account.

The financial statements of Hydac Technology Corporation, Hydac Pty Ltd and Hydac International SA DE CV are not required under each relevant country's law to be subjected to an audit. The financial statements which were prepared by qualified accountants in those countries, were 'compilations' in the required form from the representations of management. Therefore, no audit has been performed and no opinion has been expressed on the accounts of those companies.

The accounting policy for deferred taxation adopted by Hydac Technology Corporation differs from that of the group as income taxes are provided on the financial reporting income which does not differ from that reported for tax purposes and therefore no deferred taxation is required. An adjustment for the stock value is required under Internal Revenue Code section 263A, which treats certain expense items as being part of the stock value. The additional tax expense under this computation is shown as deferred income tax charges.

The accounting policies for depreciation as adopted by Hydac Technology Corporation., Hydac Corporation, Hydac Pty Ltd., Hydac Technology Pte Ltd. and Hydac International S.A. D.E. C.V. differ from that of the company in that different rates and methods of depreciation are used. The effect of these differing policies is not, however, considered to be material.



# HYDAC LIMITED AND SUBSIDIARY COMPANIES

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2003

### 2 Turnover - Group

#### Geographical market

	2003 £	2002 £
United Kingdom	6,663,093	5,479,330
Europe	365,727	814,518
Rest of the World	32,488,157	23,010,379
	<u>39,516,977</u>	<u>29,304,227</u>

### 3 Other Operating Income - Group

	2003 £	2002 £
Rental income	67,826	71,880
	<u>67,826</u>	<u>71,880</u>

### 4 Operating Profit - Group

	2003 £	2002 £
Operating profit is stated after charging:		
Staff costs (note 20)	8,731,926	7,094,576
Auditors remuneration	40,500	45,808
Exchange losses - realised	44,091	101,989
Interest payable	11,793	52,188
Depreciation of tangible assets (inc. loss on disposal)	787,576	673,603
Amortisation of intangible assets	218,413	-
Operating lease charges - equipment and vehicles	136,906	115,550
Hire of plant and machinery	185,124	52,155
Research and development	118,648	46,047
	<u></u>	<u></u>

### 5 Interest Receivable - Group

	2003 £	2002 £
Bank deposit interest	441,500	81,264
Other interest	1,141	-
	<u>442,641</u>	<u>81,264</u>

# HYDAC LIMITED AND SUBSIDIARY COMPANIES

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2003

<b>6</b>	<b>Taxation - Group</b>	<b>2003</b>	<b>2002</b>
		<b>£</b>	<b>£</b>
	U.K. Corporation tax at 30% (2002- 30%)	24,722	(29,466)
	Prior year's adjustment - Current taxation	(4,078)	(1,846)
		<hr/>	<hr/>
		20,644	(31,312)
	<b>Overseas</b>		
	Current taxation	662,818	502,560
	Deferred taxation	42,750	2,825
	Prior year's adjustment	-	825
		<hr/>	<hr/>
		726,212	474,898
		<hr/>	<hr/>
<b>7</b>	<b>Dividends</b>	<b>2003</b>	<b>2002</b>
		<b>£</b>	<b>£</b>
	Interim dividend paid	-	592,325
		<hr/>	<hr/>
<b>8</b>	<b>Intangible Fixed Assets - Group</b>		<b>Goodwill</b>
			<b>£</b>
	<b>Cost</b>		
	At 1 January 2003		-
	Additions		1,092,065
			<hr/>
	At 31 December 2003		1,092,065
			<hr/>
	<b>Amortisation</b>		
	At 1 January 2003		-
	Charge for year		218,413
			<hr/>
	At 31 December 2003		218,413
			<hr/>
	<b>Net book value</b>		
	At 31 December 2003		873,652
			<hr/>

# HYDAC LIMITED AND SUBSIDIARY COMPANIES

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2003

### 9 Tangible Fixed Assets - Group

	Freehold land and buildings £	Plant and machinery £	Equipment, fixtures and fittings £	Motor vehicles and trailer £	Total £
<b>Cost or valuation</b>					
At 1 January 2003	5,093,917	3,585,206	2,182,570	327,834	11,189,527
Exchange differences	(315,859)	(242,559)	(132,598)	20,135	(670,881)
Additions	661,654	2,339,745	143,476	86,941	3,231,816
Disposals	(8,999)	(35,414)	(67,672)	(69,911)	(181,996)
At 31 December 2003	5,430,713	5,646,978	2,125,776	364,999	13,568,466
<b>Depreciation</b>					
At 1 January 2003	1,817,411	2,928,582	1,727,094	195,790	6,668,877
Exchange differences	(131,377)	(195,476)	(113,147)	9,444	(430,556)
On disposals	(8,999)	(29,176)	(58,360)	(44,631)	(141,166)
Charge for year	126,616	428,225	187,214	47,108	789,163
At 31 December 2003	1,803,651	3,132,155	1,742,801	207,711	6,886,318
<b>Net book value</b>					
At 31 December 2003	3,627,062	2,514,823	382,975	157,288	6,682,148
At 31 December 2002	3,276,506	656,624	455,476	132,044	4,520,650

Revalued assets included in tangible fixed assets:-	<b>2003</b> £	<b>2002</b> £
<b>Freehold land and buildings</b>		
At revalued amount	621,389	621,389
Depreciation	(216,950)	(204,522)
Net book value	404,439	416,867
At historical cost	721,389	721,389
Depreciation	(219,593)	(205,165)
Net book value	501,796	516,224

# HYDAC LIMITED AND SUBSIDIARY COMPANIES

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2003

### 10 Investments

Company	Shares in subsidiary undertakings £
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#### Cost

At 1 January 2003 and 31 December 2003

4,951,866

The company holds more than 20% of the share capital of the following companies:

Company Subsidiary undertakings	Country of registration or incorporation	Class	Shares held %
Hydac Technology Limited	England	Ordinary	100
Hydac Technology Pte Ltd	Singapore	Ordinary	100
Hydac Pty Ltd	Australia	Ordinary	100
Flupac Limited (Non-trading)	England	Ordinary	100
Hydac-Flupac Limited (Non-trading)	England	Ordinary	100

#### Group

Hydac Technology Corporation	U.S.A.	Ordinary	100
Hydac Corporation	Canada	Ordinary	75
Hydac International S.A. D.E. C.V.	Mexico	Ordinary	99

### 11 Stocks and Work in Progress

	Group		Company	
	2003	2002	2003	2002
	£	£	£	£
Raw materials and consumables	1,688,780	1,145,467	-	-
Work in progress	119,649	-	-	-
Finished goods and goods for resale	4,374,386	3,301,503	-	-
	<u>6,182,815</u>	<u>4,446,970</u>	<u>-</u>	<u>-</u>

# HYDAC LIMITED AND SUBSIDIARY COMPANIES

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2003

12 Debtors	Group		Company	
	2003	2002	2003	2002
	£	£	£	£
Trade debtors	6,080,865	4,846,614	-	-
Short term investments	1,489,336	4,284,616	-	-
Amounts owed by parent and fellow subsidiary undertakings	-	-	9,239	-
Amounts owed by subsidiary undertakings	-	-	238,484	13,500
Taxation repayment due	276,129	307,891	1,026	-
	<u>7,846,330</u>	<u>9,439,121</u>	<u>248,749</u>	<u>13,500</u>

13 Creditors: amounts falling due within one year	Group		Company	
	2003	2002	2003	2002
	£	£	£	£
Bank loans and overdrafts	2,442,313	-	-	-
Trade creditors	1,562,042	1,086,277	-	-
Amounts owed to parent undertaking	1,125,000	-	-	-
Corporation tax	627,714	247,033	-	-
Taxes and social security costs	240,989	247,239	263	263
Other creditors	960,955	1,285,085	-	-
Accruals and deferred income	744,874	425,223	10,250	10,263
Net obligations under finance lease and hire purchase contracts	-	29,026	-	-
	<u>7,703,887</u>	<u>3,319,883</u>	<u>10,513</u>	<u>10,526</u>

14 Creditors: amounts falling due after more than one year	Group		Company	
	2003	2002	2003	2002
	£	£	£	£
Net obligations under finance leases and hire purchase contracts	<u>35,903</u>	<u>30,915</u>	<u>-</u>	<u>-</u>

### 15 Provisions for Liabilities and Charges - Group

Deferred taxation	Provision made	
	2003	2002
	£	£
Accelerated capital allowances	<u>54,734</u>	<u>58,812</u>

# HYDAC LIMITED AND SUBSIDIARY COMPANIES

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2003

<b>16 Share Capital - Group and Company</b>			<b>2003</b>	<b>2002</b>
			£	£
<b>Authorised</b>				
3,000,000 Ordinary Shares of £1 each			3,000,000	3,000,000
<b>Allotted, called up and fully paid</b>				
1,550,000 Ordinary Shares of £1 each			1,550,000	1,550,000
<b>17 Profit and Loss Account</b>	<b>Group</b>		<b>Company</b>	
	<b>2003</b>	<b>2002</b>	<b>2003</b>	<b>2002</b>
	£	£	£	£
Balance at 1 January 2003	9,382,651	10,784,566	3,504,397	3,468,348
Retained profit for the year	1,299,956	76,751	390,372	36,049
Exchange adjustment	(1,120,652)	(1,638,666)	-	-
General provisions written back	-	160,000	-	-
Balance at 31 December 2003	9,561,955	9,382,651	3,894,769	3,504,397
<b>18 Reconciliation of Movements in Shareholders' Funds</b>	<b>Group</b>		<b>Company</b>	
	<b>2003</b>	<b>2002</b>	<b>2003</b>	<b>2002</b>
	£	£	£	£
Profit for the financial year	1,299,956	669,076	390,372	628,374
Dividends	-	(592,325)	-	(592,325)
Exchange adjustments on consolidation	(1,120,652)	(1,638,666)	-	-
General provisions written back	-	160,000	-	-
Net addition to shareholders' funds	179,304	(1,401,915)	390,372	36,049
Opening shareholders' funds	16,290,365	17,695,687	5,054,397	5,018,348
Movement in minority interests	58,054	(3,407)	-	-
Closing shareholders' funds	16,527,723	16,290,365	5,444,769	5,054,397
<b>19 Reserve on Consolidation - Group</b>			<b>2003</b>	<b>2002</b>
			£	£
Opening balance			5,118,795	5,118,795
Movement on reserves during year			-	-
Closing balance			5,118,795	5,118,795

# HYDAC LIMITED AND SUBSIDIARY COMPANIES

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2003

20 Employee Information - Group	2003 £	2002 £
<b>Staff Costs</b>		
Directors' emoluments	149,549	137,683
Wages and salaries	7,787,590	6,215,642
Social security costs	529,396	459,183
Pension costs	265,391	282,068
	<u>8,731,926</u>	<u>7,094,576</u>

### 21 Employees - Group

#### Number of employees

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

	2003 Number	2002 Number
Administration	99	55
Warehouse and production	159	96
Selling and technical	135	96
	<u>393</u>	<u>247</u>

### 22 Ultimate Parent Company

The directors regard Inthol Beteiligungs-und-Verwaltungs GmbH, a company incorporated in Germany, as being the company's ultimate parent company.