

Company Registration No. 2598826 (England and Wales)

HYDAC LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

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HYDAC LIMITED

COMPANY INFORMATION

Directors	O.P. Schön W.H. Dieter
Secretary	R. Huber
Company number	2598826
Registered office	55 Station Road Beaconsfield Buckinghamshire HP9 1QL
Auditor	Rouse Audit LLP 55 Station Road Beaconsfield Bucks HP9 1QL

HYDAC LIMITED

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HYDAC LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2016

The directors present the strategic report and financial statements for the year ended 31 December 2016.

Review of the business

The results before tax increased in the fiscal year with £13.90 million in 2015 and £15.56 million in 2016 and sales increased from £184.4 million in 2015 to £193.7 million in 2016.

The global economy continued to grow only moderately in 2016. While the overall economic growth was also driven by consumption in many countries, the global trade and the investment activities remained weak. The fluid engineering and hydraulic market was characterized by stagnation in the recent past and also in the past year.

HYDAC components can be found in all sectors of industrial and mobile hydraulics. In general, all sectors were consistent in their return as compared to the previous year, still being influenced by low price of oil and a reduced business in the agriculture and mining market. The increase in sales in 2016 is mainly related to currency fluctuations as they remained stagnant in real terms.

The results for the year are set out on page page 7.

Principal risks and uncertainties

As a global company, we face a diverse range of risks and uncertainties that may adversely affect our business. In times of a global recession, risks have to be taken, risk-aware but consciously, to support the creation of long-term sustainable returns.

We work continuously to ensure that we have effective processes in place for identifying, assessing and managing these risks appropriately, in line with our strategic objectives. As part of this, we continue to monitor our business activities and our external and internal environments for new and emerging risks, including environmental, social and governance matters, to ensure that these are captured and managed at the appropriate level.

Across the group, each business has risk management processes that seek to identify, assess and advise on the management of risks. The following key financial risks have been identified:

Market and price risk

Considering the global business competition and the impacts of the global economic crisis, the pressure on the market because of prices is still high. Measures to reduce this risk are to obtain new business, to improve the internal cost situation with a rationalisation of workflows and an optimization of commodity prices.

Currency risks

As many of the Group's sales are to domestic customers for each trading entity, the companies revenues are in local currency without any currency risks. The risks for exports in foreign currency are reduced by a hedging strategy for part of these transactions.

Most of the incoming goods are purchased in foreign currency (EURO). In case of negative exchange rate developments, currency discounts are agreed with suppliers, so that the risk will be minimised significantly. Furthermore, foreign currency risks are hedged for purchases (EURO/USD) if justified.

Liquidity risk

The Board reviews the Group's ongoing liquidity risks regularly and also as part of the planning process. The Board considers short-term requirements against available sources of funding taking into account cash flow. The Group has access to a sufficient and approved credit line to meet its payment obligations.

Credit risk

The Group's principal credit risk relates to the recovery of amounts owed by the customers for invoiced sales. The credit risk is handled in accordance with the frequently updated counterpart list including overdue reporting. The customer payment history is regularly reviewed and allowances for bad debts are made if necessary.

HYDAC LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

Key performance indicators

Key performance indicators are factors that measure effectively the development, performance and position of the business of the Group.

The directors use different performance measures in order to monitor and manage the business.

Also, a monthly reporting system has been implemented to show relevant positions in the income statement and the balance sheet. The KPI's of the fiscal year developed as follows:

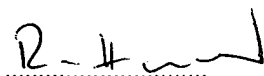
	2016	2015
	£	£
Sales	193,729,970	184,448,030
Employees	1,122	1,156
Sales/employee	172,665	159,557

The directors believe that the level of performance in 2016 indicated by the above KPI's is satisfactory.

Beside the controlling of the main financial key figures, we made examinations to establish if the used materials and methods of production correspond to the environmental regulations. Deviations are eliminated immediately. Moreover, the workplace layouts of the employees are analysed regularly and accident risks are eliminated; also we set a high value on continued education.

The most important thing for us is customer satisfaction. Therefore delivery times and quality are inspected permanently and measures for improvements are initiated.

By order of the board



R. Huber

Secretary

Sept. 18, 2017

HYDAC LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2016

The directors present their report and financial statements of the company and the group for the year ended 31 December 2016.

Principal activities

The principal activity of Hydac Limited continued to be that of a holding company.

The principal activity of the Group continued to be that of manufacturers and distributors of hydraulic and electronic components, controls and systems.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

O.P. Schön
W.H. Dieter

Results and dividends

The results for the year are set out on page 7.

Research and development

The Group provides research and design departments as well as a full testing, repairing and maintenance to its customers.

Companies within the Group carry out exploration and research and development necessary to support their activities.

Future developments

General market conditions are expected to improve in 2017 with the exception of Oil and Gas and mining. There will likely be a slight uptick from very depressed levels. Agricultural equipment is expected to remain flat.

For the following accounting year 2017 we anticipate further growth in sales as well as an improvement in the operative result compared to the previous fiscal year 2016 as the company will take further steps necessary to expand the market share and position the company to take full advantage of new business opportunities.

Financial instruments

The financial risk management objectives and the exposure to risks are discussed within the Strategic Report on pages 1 to 2 in accordance with s414C (11).

HYDAC LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company, and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

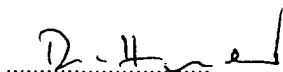
- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the auditor of the company and group is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the auditor of the company and group is aware of that information.

By order of the board



R. Huber

Secretary

Sept. 18, 2017

HYDAC LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HYDAC LIMITED

We have audited the group and parent company financial statements (the "financial statements") of Hydac Limited for the year ended 31 December 2016 set out on pages 7 to 33. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 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 set out on page 4, 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 Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2016 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

HYDAC LIMITED

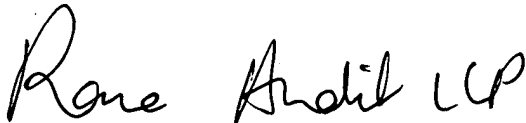
INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF HYDAC LIMITED

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent 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.

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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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.



Bindi Palmer (Senior Statutory Auditor)
for and on behalf of Rouse Audit LLP

21/9/17

Chartered Accountants
Statutory Auditor

55 Station Road
Beaconsfield
Bucks
HP9 1QL

HYDAC LIMITED

GROUP PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2016

		2016	2015
	Notes	£	as restated £
Turnover	4	193,729,970	184,448,030
Cost of sales		(129,450,613)	(126,674,542)
Gross profit		64,279,357	57,773,488
Distribution costs		(21,137,702)	(19,656,566)
Administrative expenses		(28,740,010)	(24,082,633)
Operating profit	5	14,401,645	14,034,289
Interest receivable and similar income	8	174,795	283,825
Interest payable and similar expenses		(522)	(5,395)
Other gains and losses		985,752	(415,536)
Profit before taxation		15,561,670	13,897,183
Taxation	9	(4,638,262)	(4,633,891)
Profit for the financial year		10,923,408	9,263,292
Profit for the year is attributable to:			
- Owners of the parent company		10,913,167	9,263,188
- Non-controlling interests		10,241	10,206
		10,923,408	9,263,292

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

HYDAC LIMITED

GROUP STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2016

	2016	2015
	£	as restated £
Profit on ordinary activities after taxation	10,923,408	9,263,292
Other comprehensive income		
Currency translation differences	17,780,456	2,487,201
Total comprehensive income for the year	<u>28,703,864</u>	<u>11,750,493</u>
 Total comprehensive income for the year is attributable to:		
- Owners of the parent company	28,693,623	11,740,287
- Non-controlling interests	10,241	10,206
	<u>28,703,864</u>	<u>11,750,493</u>

HYDAC LIMITED

GROUP BALANCE SHEET AS AT 31 DECEMBER 2016

		2016		2015 as restated	
	Notes	£	£	£	£
Fixed assets					
Tangible assets	11		47,719,546		41,062,883
Current assets					
Stocks	15	30,183,599		25,243,722	
Debtors	16	31,519,747		27,023,871	
Investments	17	4,658,072		3,100,148	
Cash at bank and in hand		40,049,520		28,970,528	
		106,410,938		84,338,269	
Creditors: amounts falling due within one year	18	(20,710,489)		(16,968,604)	
Net current assets			85,700,449		67,369,665
Total assets less current liabilities			133,419,995		108,432,548
Creditors: amounts falling due after more than one year			(6,797)		-
Provisions for liabilities	20		(3,774,471)		(3,822,614)
Net assets			129,638,727		104,609,934
Capital and reserves					
Called up share capital	23	1,550,000		1,550,000	
Profit and loss reserves		128,057,602		103,033,434	
Equity attributable to owners of the parent company			129,607,602		104,583,434
Non-controlling interests			31,125		26,500
			129,638,727		104,609,934

The financial statements were approved by the board of directors and authorised for issue on 18 September 2017 and are signed on its behalf by:

.....
O.P. Schön
Director

HYDAC LIMITED

COMPANY BALANCE SHEET

AS AT 31 DECEMBER 2016

	Notes	2016 £	£	2015 £	£
Fixed assets					
Investments	12		5,210,489		5,210,489
Current assets					
Debtors	16	34,476		61,129	
Cash at bank and in hand		860,992		800,014	
		<u>895,468</u>		<u>861,143</u>	
Creditors: amounts falling due within one year	18	<u>(80,714)</u>		<u>(76,021)</u>	
Net current assets			814,754		785,122
Total assets less current liabilities			<u>6,025,243</u>		<u>5,995,611</u>
Capital and reserves					
Called up share capital	23	1,550,000		1,550,000	
Profit and loss reserves		4,475,243		4,445,611	
Total equity			<u>6,025,243</u>		<u>5,995,611</u>

As permitted by s408 Companies Act 2006, the company has not presented its own profit and loss account and related notes. The company's profit for the year was £3,699,087 (2015 - £10,501,105).

The financial statements were approved by the board of directors and authorised for issue on 18 September 2017 and are signed on its behalf by:

.....
O.P. Schön
Director

Company Registration No. 02598826

HYDAC LIMITED

GROUP STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	Share capital £	Revaluation reserve £	Profit and loss reserves £	Total controlling interest £	Non-controlling interest £	Total £
Balance at 1 January 2015		1,550,000	1,877,900	99,626,155	103,054,055	29,400	103,083,455
Prior period error	3	-	(1,877,900)	1,877,900	-	-	-
Balance at 1 January 2015 as restated		1,550,000	-	101,504,055	103,054,055	29,400	103,083,455
Year ended 31 December 2015 as restated:							
Profit for the year		-	-	9,263,292	9,263,292	-	9,263,292
Other comprehensive income:							
Currency translation differences		-	-	2,490,206	2,490,206	(3,005)	2,487,201
Amounts attributable to non-controlling interests		-	-	(10,206)	(10,206)	10,206	-
Total comprehensive income for the year		-	-	11,743,292	11,743,292	7,201	11,750,493
Dividends	10	-	-	(10,213,913)	(10,213,913)	(10,101)	(10,224,014)
Balance at 31 December 2015 as restated		1,550,000	-	103,033,434	104,583,434	26,500	104,609,934

HYDAC LIMITED

GROUP STATEMENT OF CHANGES IN EQUITY (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	Share capital £	Revaluation reserve £	Profit and loss reserves £	Total controlling interest £	Non-controlling interest £	Total £
Balance at 1 January 2016 as restated		1,550,000	-	103,033,434	104,583,434	26,500	104,609,934
Year ended 31 December 2016:							
Profit for the year		-	-	10,923,408	10,923,408	-	10,923,408
Other comprehensive income:							
Currency translation differences		-	-	17,780,456	17,780,456	-	17,780,456
Amounts attributable to non-controlling interests		-	-	(10,241)	(10,241)	10,241	-
Total comprehensive income for the year		-	-	28,693,623	28,693,623	10,241	28,703,864
Dividends	10	-	-	(3,669,455)	(3,669,455)	(5,616)	(3,675,071)
Balance at 31 December 2016		1,550,000	-	128,057,602	129,607,602	31,125	129,638,727

HYDAC LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	Share capital £	Profit and loss reserves £	Total £
Balance at 1 January 2015		1,550,000	4,158,418	5,708,418
Year ended 31 December 2015:				
Profit and total comprehensive income for the year		-	10,501,105	10,501,105
Dividends	10	-	(10,213,912)	(10,213,912)
Balance at 31 December 2015		1,550,000	4,445,611	5,995,611
Year ended 31 December 2016:				
Profit and total comprehensive income for the year		-	3,699,087	3,699,087
Dividends	10	-	(3,669,455)	(3,669,455)
Balance at 31 December 2016		1,550,000	4,475,243	6,025,243

HYDAC LIMITED

GROUP STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	2016 £	£	2015 £	£
Cash flows from operating activities					
Cash generated from operations	28	19,219,918		22,605,966	
Interest paid		(522)		(5,395)	
Income taxes paid		(5,202,630)		(3,857,893)	
Net cash inflow from operating activities		14,016,766		18,742,678	
Investing activities					
Purchase of tangible fixed assets		(5,278,474)		(6,735,024)	
Proceeds on disposal of tangible fixed assets		123,518		95,455	
Interest received		174,795		283,825	
Net cash used in investing activities		(4,980,161)		(6,355,744)	
Financing activities					
Repayment of bank loans		175,800		(17,504)	
Payment of finance leases obligations		(559)		(19,349)	
Dividends paid to equity shareholders		(3,669,455)		(10,213,912)	
Dividends paid to non-controlling interests		(5,616)		(10,101)	
Net cash used in financing activities		(3,499,830)		(10,260,866)	
Net increase in cash and cash equivalents		5,536,775		2,126,068	
Cash and cash equivalents at beginning of year		28,970,528		26,643,442	
Effect of foreign exchange rates		5,542,217		201,018	
Cash and cash equivalents at end of year		40,049,520		28,970,528	

HYDAC LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

1 Accounting policies

Company information

Hydac Limited ("the company") is a limited company domiciled and incorporated in England and Wales. The registered office is 55 Station Road, Beaconsfield, Buckinghamshire, HP9 1QL.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the group. Monetary amounts in these financial statements are rounded to the nearest pound.

The financial statements have been prepared on the historical cost convention, modified to include the revaluation of freehold properties and certain financial instruments at fair value. The principal accounting policies adopted are set out below.

As permitted by s408 Companies Act 2006, the company has not presented its own profit and loss account and related notes. The company's profit for the year was £3,699,087 (2015 - £10,501,105).

The consolidated financial statements incorporate those of Hydac Limited and all of its subsidiaries (ie entities that the group controls through its power to govern the financial and operating policies so as to obtain economic benefits).

All financial statements are made up to 31 December 2016. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the group.

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

1.2 Going concern

The financial statements have been prepared on the going concern basis and the directors confirm their belief in the company's and groups' ability to continue as a going concern for a period of at least twelve months from the date of approval of the financial statements based on forecasts for the period.

1.3 Turnover

Turnover represents amounts receivable for goods and services net of VAT, or applicable local taxes, and trade discount. Revenue is recognised on despatch of goods.

Revenue on long term contracts is recognised with reference to stage of completion.

HYDAC LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

1 Accounting policies

(Continued)

1.4 Intangible fixed assets - goodwill

Goodwill arising on acquisitions prior to 1 January 1998 was set off directly against reserves.

Positive goodwill arising on acquisitions since 1 January 1998 is capitalised, classified as an asset on the balance sheet and amortised on a straight line basis over its economic life of 5 years, being the period over which the directors believe there is benefit to the group. It is reviewed for impairment at the end of the first full financial year following the acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

If a subsidiary, associate or business is subsequently sold or closed, any goodwill arising on acquisition that was written off directly to reserves or that has not been amortised through the profit and loss account is taken into account in determining the profit or loss on sale or closure.

1.5 Tangible fixed assets

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

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Land	Nil
Buildings freehold	25 - 50 years
Buildings leasehold	Over the term of the lease
Plant and machinery	25% p.a. on written down value / 2 - 13 years straight line
Fixtures, fittings & equipment	25% p.a. on written down value / 3 - 10 years straight line
Motor vehicles	25% p.a. on written down value / 3 - 5 years straight line

The estimation of useful lives of assets is based on the type of asset and its rate of obsolescence.

The gain or loss arising on disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in the profit and loss account.

The carrying value of tangible fixed assets is reviewed for impairment in periods where events or changes in circumstances indicate that the carrying value may not be recoverable.

1.6 Impairment of fixed assets

At each reporting period end date, the group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

1.7 Fixed asset investments

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

1.8 Stocks

Stocks are stated at the lower of cost and net realisable value after making provision for obsolete and slow moving stock. Cost represents the monetary value to acquire the goods. Net realisable value represents the estimated selling price less costs to sell.

HYDAC LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2016

1 Accounting policies

(Continued)

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

1.9 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.10 Financial instruments

Financial instruments are recognised in the group's statement of financial position when the group becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally 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.

Loans and receivables

Trade debtors, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument to the net carrying amount on initial recognition.

Current asset investments

Current asset investments are initially measured at transaction price excluding transaction costs, and are subsequently measured at fair value at each reporting date. Changes in fair value are recognised in profit or loss. Transaction costs are expensed to profit or loss as incurred.

Impairment of financial assets

Financial assets, other than those held at fair value are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the group transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

HYDAC LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

1 Accounting policies

(Continued)

Classification of financial liabilities

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Derecognition of financial liabilities

Financial liabilities are derecognised when the group's contractual obligations expire or are discharged or cancelled.

1.11 Derivatives

The group uses forward foreign currency contracts to reduce exposure to foreign exchange rates.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to fair value at each reporting end date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognised as a financial asset, whereas a derivative with a negative fair value is recognised as a financial liability.

1.12 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred taxation is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. An asset is recognised to the extent that the transfer of economic benefits in the future is more likely than not. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements. The deferred tax balance has not been discounted.

HYDAC LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

1 Accounting policies

(Continued)

1.13 Provisions

Provisions are recognised when the group has a legal or constructive present obligation as a result of a past event, it is probable that the group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation.

Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value. When a provision is measured at present value the unwinding of the discount is recognised as a finance cost in profit or loss in the period it arises.

1.14 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.15 Retirement benefits

Group companies contribute to 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.

1.16 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets at the lower of the assets fair value at the date of inception and the present value of the minimum lease payments. The related liability is included in the balance sheet as a finance lease obligation. Lease payments are treated as consisting of capital and interest elements. The interest is charged to the profit and loss account so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Rentals payable under operating leases, including any lease incentives received, are charged to income on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

Rentals receivable under operating leases are recognised in other operating income on a straight line basis over the lease term.

HYDAC LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

1 Accounting policies

(Continued)

1.17 Foreign exchange

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. All differences are taken to the profit and loss account.

The net assets and results of overseas subsidiaries are translated using the closing rate method, with profit and loss items translated at the average rate for the period. Exchange differences arising on the consolidation of foreign subsidiaries are recorded as movements on reserves on the group balance sheet.

1.18 Cash flow

Management of liquid resources include cash flows relating to the listed investments shown within current assets.

1.19 Research and development

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

1.20 Long term contracts

Amounts recoverable on long term contracts, which are included in debtors, are stated at the net sales value of the work done after provision for contingencies and anticipated future losses on contracts, less amounts received as progress payments on account. Excess progress payments are included in creditors as payments on account.

2 Judgements and key sources of estimation uncertainty

In the application of the group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

HYDAC LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2016

2 Judgements and key sources of estimation uncertainty

(Continued)

Key sources of estimation uncertainty

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

Stock provision

Stock is valued at the lower cost and net realisable value. Net realisable value includes, where necessary, provisions for slow moving and obsolete stocks. Calculation of these provisions requires judgements to be made. Provisions are made in line with group policy and is based on forecast usage levels.

Bad debt provision

The trade debtors balances are regularly reviewed to identify any potential bad debts. Whilst every attempt is made to ensure that the bad debt provisions are as accurate as possible, due to the inherent subjectivity there remains a risk that the provisions do not match the level of debts which ultimately prove to be uncollectible.

Warranty provision

Typically, warranties average twelve to eighteen months. Management provides for possible future warranty expense based on past experience and specific known issues.

3 Prior period error

The comparative figures have been restated due to an adjustment that arose on transition to FRS 102 relating to the treatment of listed investments. As a result the opening revaluation reserve at 1 January 2015 of £1,877,900 was reclassified to profit and loss reserve. The revaluation of investments totalling £747,437 was reclassified from other comprehensive income to profit and loss resulting in a reduction in profit before taxation of £747,437 for the year ended 31 December 2015. The deferred tax relating to the revaluation of investments of £310,186 was also reclassified to profit and loss resulting in a decrease in the taxation charge of £310,186. The currency retranslation differences relating to deferred tax recognised in other comprehensive income have been restated resulting in a decrease of £77,277. Overall there was no effect to the total comprehensive income for the year.

4 Turnover and other revenue

An analysis of the group's turnover is as follows:

	2016 £	2015 £
Turnover analysed by geographical market		
United Kingdom	17,305,916	16,548,476
Europe	6,192,696	5,037,445
Rest of the World	170,231,358	162,862,109
	<u>193,729,970</u>	<u>184,448,030</u>

HYDAC LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2016

5 Operating Profit

	2016 £	2015 £
Operating profit for the year is stated after charging/(crediting):		
Exchange gains	(394,182)	(531,407)
Research and development costs	151,804	169,055
Depreciation of owned tangible fixed assets	5,344,169	4,546,323
(Profit)/loss on disposal of tangible fixed assets	6,491	(27,450)
Cost of stocks recognised as an expense	101,105,685	101,639,556
Stocks impairment losses recognised or reversed	(499,116)	315,850
Operating lease charges		
- Plant and machinery	176,177	177,818
- Other	1,280,010	933,645

6 Auditor's remuneration

	2016 £	2015 £
Fees payable to the company's auditor and associates:		
For audit services		
Audit of the financial statements of the group and company	26,100	24,850
Audit of the company's subsidiaries	27,200	25,900
	53,300	50,750
For other services		
Audit-related assurance services	34,650	33,000
Taxation compliance services	3,850	3,675
	38,500	36,675

7 Employees

The average monthly number of persons (including directors) employed by the group and company during the year was:

	Group 2016 Number	2015 Number
Administration	105	108
Warehouse and production	685	702
Selling and technical	332	346
	1,122	1,156

HYDAC LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2016

7 Employees (Continued)

Their aggregate remuneration comprised:

	Group 2016 £	2015 £
Wages and salaries	38,332,421	32,578,822
Social security costs	3,051,545	2,548,985
Pension costs	1,255,829	1,143,458
	<u>42,639,795</u>	<u>36,271,265</u>

8 Interest receivable and similar income

	2016 £	2015 £
Interest income		
Interest on bank deposits	174,158	282,095
Interest receivable from group companies	637	1,691
Other interest income	-	39
	<u>174,795</u>	<u>283,825</u>

9 Taxation

	2016 £	2015 £ as restated
Current tax		
UK corporation tax on profits for the current period	241,366	154,064
Foreign current tax on profits for the current period	4,362,230	4,097,007
	<u>4,603,596</u>	<u>4,251,071</u>
Deferred tax		
Origination and reversal of timing differences	(44,997)	67,492
Foreign tax	79,663	315,328
	<u>34,666</u>	<u>382,820</u>
Total tax charge	<u>4,638,262</u>	<u>4,633,891</u>

HYDAC LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2016

9 Taxation

(Continued)

The actual charge for the year can be reconciled to the expected charge based on the profit or loss and the standard rate of tax as follows:

	2016 £	2015 £ as restated
Profit before taxation	15,561,670	13,897,183
Expected tax charge based on the standard rate of corporation tax in the UK of 20.00% (2015: 20.00%)	3,112,334	2,779,437
Tax effect of expenses that are not deductible in determining taxable profit	191,520	105,049
Tax effect of utilisation of tax losses not previously recognised	(14,716)	-
Adjustments in respect of prior years	6,991	6,262
Effect of change in corporation tax rate	-	1,098
Permanent capital allowances in excess of depreciation	(342,631)	(230,315)
Effect of revaluations of investments	398,517	(310,186)
Other non-reversing timing differences	(51,676)	(25,884)
Effect of overseas tax rates	1,337,923	2,308,430
Tax expense for the year	4,638,262	4,633,891

The group earns its profits in both the UK and non-UK territories. The rate used for the purpose of these financial statements is the standard UK corporation tax rate of 20% (2015: 20%) although this will vary depending upon the territory and the level of profits in each group company.

10 Dividends

	2016 £	2015 £
Interim paid	3,675,071	10,224,014

HYDAC LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2016

11 Tangible fixed assets

Group	Land	Assets under construction	Plant and machinery	Fixtures, fittings & equipment	Motor vehicles	Total
	£	£	£	£	£	£
Cost or valuation						
At 1 January 2016	31,905,664	1,426,935	30,715,483	4,123,706	916,296	69,088,084
Additions	396,556	1,346,559	2,916,255	366,651	263,887	5,289,908
Disposals	(16,631)	-	(181,791)	(247,105)	(253,121)	(698,648)
Transfers	1,757,911	(1,757,911)	-	-	-	-
Exchange adjustments	5,097,445	275,082	5,576,497	790,700	171,734	11,911,458
At 31 December 2016	39,140,945	1,290,665	39,026,444	5,033,952	1,098,796	85,590,802
Depreciation and impairment						
At 1 January 2016	7,121,194	-	17,726,464	2,690,917	486,626	28,025,201
Depreciation charged in the year	1,057,698	-	3,577,342	556,603	152,526	5,344,169
Eliminated in respect of disposals	(16,631)	-	(172,336)	(202,573)	(177,099)	(568,639)
Exchange adjustments	1,219,980	-	3,239,217	523,151	88,177	5,070,525
At 31 December 2016	9,382,241	-	24,370,687	3,568,098	550,230	37,871,256
Carrying amount						
At 31 December 2016	29,758,704	1,290,665	14,655,757	1,465,854	548,566	47,719,546
At 31 December 2015	24,784,470	1,426,935	12,989,019	1,432,789	429,670	41,062,883

The company had no tangible fixed assets at 31 December 2016 or 31 December 2015.

HYDAC LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

11 Tangible fixed assets

(Continued)

The net carrying value of tangible fixed assets includes the following in respect of assets held under finance leases or hire purchase contracts.

	Group 2016 £	2015 £	Company 2016 £	2015 £
Motor vehicles	10,672	-	-	-
Depreciation charge for the year in respect of leased assets	762	-	-	-

With regard to the freehold property owned by one of its subsidiaries, Hydac Technology Limited, amounting to £621,389 the group took advantage of the transitional arrangements available on first time adoption of FRS 102. In the financial statements for the year ended 31 December 2001, the company retained the book amounts as deemed cost at that date of the land and buildings that had previously been revalued in accordance with the company's accounting policies. The land and buildings concerned were independently valued in 1987 and are carried at their valuation at that date.

	Group 2016 £	2015 £	Company 2016 £	2015 £
At cost	721,389	721,389	-	-
Revaluation	(100,000)	(100,000)	-	-
Carrying value	621,389	621,389	-	-

If the land and buildings had not been revalued, they would have been included at the following amounts:

	Group 2016 £	2015 £	Company 2016 £	2015 £
At cost	721,389	721,389	-	-
Depreciation	(407,157)	(392,729)	-	-
Carrying value	314,232	328,660	-	-

HYDAC LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2016

12 Fixed asset investments

	Notes	Group 2016 £	2015 £	Company 2016 £	2015 £
Investments in subsidiaries	13	-	-	5,210,489	5,210,489

Movements in fixed asset investments Company

	Shares in group undertakings £
Cost or valuation	
At 1 January 2016 and 31 December 2016	5,210,489
Carrying amount	
At 31 December 2016	5,210,489
At 31 December 2015	5,210,489

13 Subsidiaries

Details of the company's subsidiaries at 31 December 2016 are as follows:

Name of undertaking and country of incorporation or residency	Nature of business	Class of shareholding	% Held
Company			
Hydac Technology Limited England	Manufacture and distribution of components and systems for Fluid Power Industry	Ordinary	100
Hydac Technology Pte Ltd Singapore	Trading in hydraulic equipment and machinery	Ordinary	100
Hydac Pty Ltd Australia	Trading in hydraulic equipment and machinery	Ordinary	100
Group			
Hydac Technology Corporation USA	Manufacture and assembly of components and systems for Fluid Power industry	Ordinary	100
Hydac Corporation Canada	Distribution and sale of fluid conditioning and control products	Ordinary	100
Hydac International Corporation USA	Hydraulic components	Ordinary	100
Hydac International S.A. D.E. C.V. Mexico	Trading in hydraulic equipment	Ordinary	99
Schroeder Industries LLC USA	Manufacture and assembly of components and systems for Fluid Power industry	Ordinary	100
Hydac Limited New Zealand	Trading in hydraulic equipment and machinery	Ordinary	100

HYDAC LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

14 Financial instruments

	Group 2016 £	2015 £	Company 2016 £	2015 £
Carrying amount of financial assets				
Debt instruments measured at amortised cost	29,726,706	25,449,548	29,000	53,680
Instruments measured at fair value through profit or loss	4,658,072	3,100,148	5,210,489	5,210,489
Carrying amount of financial liabilities				
Measured at fair value through profit or loss				
- Other financial liabilities	-	36,501	-	-
Measured at amortised cost	16,458,006	13,689,835	4,900	5,325

The group purchases foreign currency forward contracts to hedge currency exposure on future commitments. The fair values of the liabilities held at the balance sheet date are determined using quoted prices. The fair value of the foreign currency forward contracts at 31 December 2016 were an obligation of £Nil (2015: £36,501).

15 Stocks

	Group 2016 £	2015 £	Company 2016 £	2015 £
Raw materials and consumables	19,158,142	14,961,555	-	-
Work in progress	498,244	385,572	-	-
Finished goods and goods for resale	10,527,213	9,896,595	-	-
	30,183,599	25,243,722	-	-

16 Debtors

	Group 2016 £	2015 £	Company 2016 £	2015 £
Amounts falling due within one year:				
Trade debtors	27,366,113	21,452,714	-	-
Amounts recoverable on contracts	-	373,178	-	-
Corporation tax recoverable	1,033,854	482,346	-	-
Amounts owed by group undertakings	1,138,452	1,168,616	29,000	29,000
Other debtors	1,227,617	2,835,667	5,476	32,129
Prepayments and accrued income	753,711	711,350	-	-
	31,519,747	27,023,871	34,476	61,129

HYDAC LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

17 Current asset investments

	Group 2016 £	2015 £	Company 2016 £	2015 £
Listed investments	4,658,072	3,100,148	-	-

Current asset investments relate to listed US securities. These securities are valued at market value at the balance sheet date.

If the revalued securities were stated on the historical cost basis, the amount would be £538,292 (2015: £451,293).

18 Creditors: amounts falling due within one year

	Notes	Group 2016 £	2015 £	Company 2016 £	2015 £
Obligations under finance leases	19	4,078	-	-	-
Trade creditors		6,572,906	6,221,962	4,900	5,325
Amounts due to group undertakings		8,876,249	6,152,307	-	-
Corporation tax payable		194,938	-	3,228	3,926
Other taxation and social security		830,060	533,732	-	-
Derivative financial instruments		-	36,501	-	-
Other creditors		997,976	1,315,566	-	-
Accruals and deferred income		3,234,282	2,708,536	72,586	66,770
		20,710,489	16,968,604	80,714	76,021

The US subsidiary, Hydac Technology Corporation, along with Hydac Corp, a related party incorporated in U.S.A. are co-borrowers under a \$3,000,000 unsecured line of credit facility which was due to expire on 1 September 2017, but has been renewed until the 1 September 2018. Interest is charged at LIBOR market index rate plus 1.5%. The facility also has provisions for the insurance of unsecured letters of credit up to \$3,000,000. There were no outstanding borrowings or letters of credit outstanding under the facility at 31 December 2016 or 2015.

19 Finance lease obligations

	Group 2016 £	2015 £	Company 2016 £	2015 £
Future minimum lease payments due under finance leases:				
Within one year	4,078	-	-	-
In two to five years	6,797	-	-	-
	10,875	-	-	-

HYDAC LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

19 Finance lease obligations

(Continued)

Finance lease payments represent rentals payable by the company or group for certain items of plant and machinery. Leases include purchase options at the end of the lease period, and no restrictions are placed on the use of the assets. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

20 Provisions for liabilities

	Notes	Group 2016 £	2015 £	Company 2016 £	2015 £
Other provisions		443,974	1,275,600	-	-
Deferred tax liabilities	21	3,330,497	2,547,014	-	-
		<u>3,774,471</u>	<u>3,822,614</u>	<u>-</u>	<u>-</u>

Movements on provisions apart from deferred tax liabilities:

Group	£
At 1 January 2016	1,275,600
Additional provisions in the year	46,098
Reversal of provision	(1,116,086)
Exchange difference	238,362
At 31 December 2016	<u>443,974</u>

Other provisions relates to specific product defects. The provision will be utilised as the work is carried out.

21 Deferred taxation

Deferred tax assets and liabilities are offset where the group or company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

Group	Liabilities 2016 £	Liabilities 2015 £
Accelerated capital allowances	4,732,739	4,031,103
Other timing differences	(1,402,242)	(1,484,089)
	<u>3,330,497</u>	<u>2,547,014</u>

The company has no deferred tax assets or liabilities.

HYDAC LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

25 Operating lease commitments

Lessee

The operating leases represent leases payable to third parties. The leases are negotiated over varying terms and rentals are fixed over the term of the lease.

At the reporting end date the group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Group 2016 £	2015 £	Company 2016 £	2015 £
Within one year	1,651,903	1,132,791	-	-
Between two and five years	3,002,185	2,014,362	-	-
In over five years	20,122	86,227	-	-
	<u>4,674,210</u>	<u>3,233,380</u>	<u>-</u>	<u>-</u>

26 Related party transactions

The group and company has taken advantage of the exemption available from the requirement to disclose transactions with group companies included within the consolidated financial statements of Hydac Limited.

During the year the group made sales of £5,681,495 (2015: £5,060,868) to other group companies in the Hydac group (which are not included in these consolidated accounts) and purchases of £53,365,105 (2015: £47,905,312). The amount due from these companies at the year end was £1,138,452 (2015: £432,221) and the amount due to these companies was £8,876,249 (2015: £6,963,872).

At the balance sheet date, the subsidiary Hydac Pty Ltd had unsecured loans due from Intre Pty Ltd of 1,700,000 Australian Dollars (2015: 2,000,000 Australian Dollars). Interest is charged on the loans at 5.5% and 6.5% per annum with interest to be paid every 6 months. The term of the loans is 12 years with annual repayments of 100,000 Australian Dollars to be made on each loan. Graham Whiteside is a director of both Hydac Pty Ltd and Intre Pty Ltd.

During the year Hydac Pty Ltd leased a number of premises from Intre Pty Ltd. During the year rent of £404,999 was paid in respect of these leases.

At the balance sheet date, the parent company, Hydac Limited, also had an unsecured loan due from Intre Pty Ltd of £Nil (2015: £24,680). Interest is charged on the loan at 5.5% per annum with interest to be paid every 6 months. The term of the loans is 10 years with annual repayments of £50,000.

HYDAC LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2016

27 Controlling party

The directors regard the parent undertaking of Hydac Limited to be BUV GmgH, a company incorporated in Germany.

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

The smallest group and largest group for which consolidated financial statements are prepared is that headed up by Hydac Limited.

The family of the director, W.H. Dieter, are the ultimate controlling party.

28 Cash generated from group operations

	2016 £	2015 £ as restated
Profit for the year after tax	10,923,408	9,263,292
Adjustments for:		
Taxation charged	4,638,262	4,633,891
Finance costs	522	5,395
Investment income	(174,795)	(283,825)
Loss/(gain) on disposal of tangible fixed assets	6,491	(27,450)
Depreciation and impairment of tangible fixed assets	5,344,169	4,546,323
Other gains and losses	(985,752)	415,536
(Decrease)/increase in provisions	(1,069,988)	746,292
Movements in working capital:		
(Increase)/decrease in stocks	(665,246)	1,764,944
Decrease in debtors	99,290	3,692,441
Increase/(decrease) in creditors	1,103,557	(2,150,873)
Cash generated from operations	19,219,918	22,605,966