

Company Registration No. 02598826 (England and Wales)

HYDAC LIMITED
DIRECTORS' REPORT AND CONSOLIDATED FINANCIAL
STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

TUESDAY



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COMPANIES HOUSE

HYDAC LIMITED

DIRECTORS AND ADVISERS

Directors	O.P. Schön W.H. Dieter
Secretary	R. Huber
Company number	02598826
Registered office	55 Station Road, Beaconsfield, Bucks. HP9 1QL
Registered auditors	Rouse Audit LLP 55 Station Road Beaconsfield Buckinghamshire HP9 1QL
Bankers	Lloyds Bank 27-31 White Hart Street High Wycombe Bucks HP11 2HL
Solicitors	B.P. Collins LLP Collins House 32-38 Station Road Gerrards Cross SL9 8EL

HYDAC LIMITED

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HYDAC LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2013

The directors present their report and financial statements for the year ended 31 December 2013.

Review of the business

The results before tax decreased in the last fiscal year from £24.4 million in 2012 to £16.2 million in 2013 while sales increased from £158.6 million in 2012 to £160.8 million in 2013.

The decrease in the results before tax is related to the efforts during 2013 with the aim to improve market share and sales in future periods such as the increase in the number of employees and the enlargement of production capacities.

These efforts will support a further growth in all sales areas as well as in all product groups. The results for the year are set out on 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 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 2013

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.

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.

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:

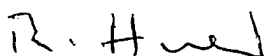
	2013 £	2012 £
Sales	160,801,145	158,628,215
Employees	866	785
Sales/employee	185,683	202,074

The directors believe that the level of performance in 2013 indicated by the KPI's above 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
30/9/14
.....

HYDAC LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2013

The directors present their report and financial statements of the company and the group for the year ended 31 December 2013.

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.

Group research and development activities

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

For the following accounting year 2014 we anticipate further growth in sales as well as an improvement in the operative result compared to the previous fiscal year 2013 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).

Directors

The following directors have held office since 1 January 2013:

O.P. Schön

W.H. Dieter

HYDAC LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2013

Statement of directors' responsibilities

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

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

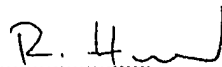
- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group 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 the group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of disclosure to auditors

So far as the directors are aware, there is no relevant audit information of which the group's auditors are unaware. Additionally, the directors 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 group's auditors are aware of that information.

By order of the board



R. Huber

Secretary

30/9/14

HYDAC LIMITED

INDEPENDENT AUDITORS' 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 2013 set out on pages 7 to 30. 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).

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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on pages 3 - 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 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 parent company's affairs as at 31 December 2013 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 the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

HYDAC LIMITED

INDEPENDENT AUDITORS' REPORT (CONTINUED)

TO THE MEMBERS OF HYDAC LIMITED

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept 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.

Rouse Audit LLP

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

30/9/14

Chartered Accountants
Statutory Auditor

55 Station Road
Beaconsfield
Buckinghamshire
HP9 1QL

HYDAC LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2013

	Notes	2013 £	2012 £
Turnover	2	160,801,145	158,628,215
Cost of sales		(108,017,648)	(99,864,074)
Gross profit		52,783,497	58,764,141
Distribution costs		(14,192,920)	(13,563,575)
Administrative expenses		(22,481,294)	(21,015,516)
Operating profit	4	16,109,283	24,185,050
Interest receivable	6	193,607	286,249
Interest payable and similar charges	5	(67,733)	(52,536)
Profit on ordinary activities before taxation		16,235,157	24,418,763
Tax on profit on ordinary activities	7	(4,839,459)	(7,467,451)
Profit on ordinary activities after taxation		11,395,698	16,951,312
Minority interests		(5,591)	(7,757)
Profit for the financial year	22	11,390,107	16,943,555

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

HYDAC LIMITED

STATEMENT OF RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 DECEMBER 2013

	31 December 2013 £	31 December 2012 £
Profit for the financial year	11,390,107	16,943,555
Unrealised surplus on revaluation of investments	1,330,291	350,588
Exchange differences arising on consolidation	(3,012,180)	(2,236,867)
Total recognised gains and losses relating to the year	<u>9,708,218</u>	<u>15,057,276</u>

Note of consolidated historical cost profits and losses For the year ended 31 December 2013

	31 December 2013 £	31 December 2012 £
Reported profit on ordinary activities before taxation	16,235,157	24,418,763
Realisation of current investment gains of previous years	-	-
Historical cost profit on ordinary activities before taxation	<u>16,235,157</u>	<u>24,418,763</u>
Historical cost profit for the year retained after taxation and minority interests	<u>11,390,107</u>	<u>16,943,555</u>

HYDAC LIMITED

BALANCE SHEETS

AS AT 31 DECEMBER 2013

	Notes	Group 2013 £	2012 £	Company 2013 £	2012 £
Fixed assets					
Tangible assets	11 and 12	31,446,070	28,133,580	-	-
Investments	13	-	-	4,951,864	4,951,864
		<u>31,446,070</u>	<u>28,133,580</u>	<u>4,951,864</u>	<u>4,951,864</u>
Current assets					
Stocks	14	23,471,205	20,465,039	-	-
Debtors	15	30,762,099	29,281,177	112,559	160,768
Investments	16	3,550,054	2,310,396	-	-
Cash at bank and in hand		17,402,474	17,669,491	677,245	593,119
		<u>75,185,832</u>	<u>69,726,103</u>	<u>789,804</u>	<u>753,887</u>
Creditors: amounts falling due within one year	17	<u>(18,417,247)</u>	<u>(15,559,637)</u>	<u>(59,129)</u>	<u>(51,788)</u>
Net current assets		<u>56,768,585</u>	<u>54,166,466</u>	<u>730,675</u>	<u>702,099</u>
Total assets less current liabilities		<u>88,214,655</u>	<u>82,300,046</u>	<u>5,682,539</u>	<u>5,653,963</u>
Creditors: amounts falling due after more than one year	18	<u>(158,702)</u>	<u>(196,622)</u>	<u>-</u>	<u>-</u>
Provisions for liabilities	19	<u>(1,244,585)</u>	<u>(1,584,458)</u>	<u>-</u>	<u>-</u>
		<u>86,811,368</u>	<u>80,518,966</u>	<u>5,682,539</u>	<u>5,653,963</u>
Capital and reserves					
Called up share capital	21	1,550,000	1,550,000	1,550,000	1,550,000
Revaluation reserve	22	3,554,301	2,278,257	-	-
Profit and loss account	22	81,675,787	76,664,247	4,132,539	4,103,963
Shareholders' funds	24	<u>86,780,088</u>	<u>80,492,504</u>	<u>5,682,539</u>	<u>5,653,963</u>
Minority interests	23	<u>31,280</u>	<u>26,462</u>	<u>-</u>	<u>-</u>
		<u>86,811,368</u>	<u>80,518,966</u>	<u>5,682,539</u>	<u>5,653,963</u>

Approved by the Board and authorised for issue on 30/9/14

O.P. Schön
Director

Company Registration No. 02598826

HYDAC LIMITED

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2013

	£	2013 £	£	2012 £
Net cash inflow from operating activities		13,849,400		24,554,558
Returns on investments and servicing of finance				
Interest received	193,606		286,249	
Interest paid	(67,733)		(52,536)	
Net cash inflow for returns on investments and servicing of finance		125,873		233,713
Tax paid		(5,507,424)		(7,442,862)
Investing activities				
Payments to acquire tangible assets	(7,005,467)		(13,462,837)	
Proceeds from disposal of tangible assets	50,158		62,870	
Net cash outflow for capital expenditure		(6,955,309)		(13,399,967)
Equity dividends paid		(3,420,635)		(795,968)
Net cash (outflow)/inflow before management of liquid resources and financing		(1,908,095)		3,149,474
Financing				
Loan from/(to) related company	1,828,306		(447,866)	
Hire purchase and finance lease	(59,346)		(123,939)	
Repayment of bank loans	(15,565)		(15,495)	
Net cash inflow/(outflow) from financing		1,753,395		(587,300)
(Decrease)/Increase in cash in the year		(154,700)		2,562,174

HYDAC LIMITED

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2013

1	Reconciliation of operating profit to net cash inflow from operating activities	2013	2012
		£	£
	Operating profit	16,109,283	24,185,050
	Depreciation of tangible assets	2,832,776	2,277,095
	Adjustment on disposal of tangible assets	3,626	45,242
	(Increase)/decrease in stocks	(3,822,708)	916,763
	Increase in debtors	(4,481,042)	(1,397,742)
	(Decrease)/Increase in creditors	3,207,466	(1,471,850)
	Net cash inflow from operating activities	13,849,400	24,554,558

2	Analysis of net funds	1 January 2013	Cash flow	Other non-cash changes	31 December 2013
		£	£	£	£
	Net cash:				
	Cash at bank and in hand	17,669,491	(154,700)	(112,317)	17,402,474
	Debt:				
	Debts falling due within one year	(25,871)	-	1,305	(24,566)
	Debts falling due after one year	(152,123)	15,566	7,673	(128,884)
		(177,994)	15,566	8,978	(128,884)
	Net funds	17,491,497	(139,134)	(103,339)	17,249,024

3	Reconciliation of net cash flow to movement in net debt	2013	2012
		£	£
	(Decrease)/increase in cash in the year	(139,134)	2,577,444
	Net effect of foreign exchange differences	(103,339)	(420,261)
	Opening net funds	17,491,497	15,334,314
	Closing net funds	17,249,024	17,491,497

HYDAC LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention, except for the revaluation of certain assets.

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.

1.2 Compliance with accounting standards

The financial statements are prepared in accordance with applicable United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), which have been applied consistently (except as otherwise stated).

1.3 Basis of consolidation

The consolidated profit and loss account and balance sheet include the financial statements of the company and its subsidiary undertakings made up to 31 December 2013. The results of subsidiaries sold or acquired are included in the profit and loss account up to, or from the date control passes. Intra-group sales and profits are eliminated fully on consolidation.

1.4 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.

1.5 Goodwill

Goodwill arising on acquisitions prior to 1 January 1998 was set off directly against reserves. Goodwill previously eliminated against reserves was not reinstated on implementation of FRS 10 'Goodwill and intangible assets'.

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.

1.6 Research and development

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

HYDAC LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2013

1 Accounting policies

(continued)

1.7 Tangible fixed assets and depreciation

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:

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

Investment properties are revalued annually at their open market value in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). The surplus or deficit on revaluation is transferred to a revaluation reserve except where the deficit reduces the property below its historical cost, in which case it is taken to the profit and loss account.

No depreciation is provided on investment properties which is a departure from the requirements of the Companies Act 2006. In the opinion of the directors these properties are held primarily for their investment potential and so their current value is of more significance than any measure of consumption and to depreciate them would not give a true and fair view. The provisions of the United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) in respect of investment properties have therefore been adopted in order to give a true and fair view. If this departure from the Act had not been made, the profit for the year would have been reduced by depreciation.

However, the amount of depreciation cannot reasonably be quantified and the amount which might otherwise have been shown cannot be separately identified or quantified.

1.8 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.

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 CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2013

1 Accounting policies

(continued)

1.9 Investments

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

Current asset investments are stated at market value. Revaluation surpluses or deficits are taken to the revaluation reserve.

1.10 Stock

Stock is valued at the lower of cost and net realisable value, in accordance with SSAP 9, 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.

1.11 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.

1.12 Pensions

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 in accordance with FRS 17.

1.13 Deferred taxation

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.

1.14 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. 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 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.

1.15 Cash flow

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

HYDAC LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2013

2 Turnover - Group

Turnover has been derived from one principal class of business for the group.

Geographical segment	2013 £	2012 £
United Kingdom	26,040,224	15,003,661
Europe	4,239,849	2,594,011
Rest of the World	130,521,072	141,030,543
	<u>160,801,145</u>	<u>158,628,215</u>

3 Other operating income - Group

	2013 £	2012 £
Rental income	62,396	65,955
	<u>62,396</u>	<u>65,955</u>

4 Operating Profit - Group

	2013 £	2012 £
Operating profit is stated after charging:		
During the year the group (including overseas subsidiaries) obtained the following services from the company's auditor and its associates:		
- Fees payable to the company's auditor for the audit of parent company	22,000	22,000
- The audit of company's subsidiaries pursuant to legislation	21,500	21,500
- Accountancy services	30,000	30,000
- Tax services	3,000	3,000
Exchange losses/(gains) realised	90,926	193,815
Depreciation of tangible assets	2,832,776	2,277,095
Loss on disposal of tangible fixed assets	11,173	45,242
Operating lease charges - plant and machinery	135,926	201,062
- other	686,556	902,689
Research and development	<u>115,897</u>	<u>113,811</u>

HYDAC LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2013

5	Interest payable	2013	2012
		£	£
	On amounts payable to group companies	11,489	27,848
	On bank loans and overdrafts	50,052	11,208
	Lease finance charges	6,111	14,243
	On overdue tax	81	-
		<u>67,733</u>	<u>52,536</u>

6	Interest Receivable - Group	2013	2012
		£	£
	Bank deposit interest	186,120	279,258
	Other interest	7,486	6,991
		<u>193,606</u>	<u>286,249</u>

HYDAC LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2013

7	Taxation	2013 £	2012 £
	Domestic current year tax		
	U.K. corporation tax	500,044	493,347
	Foreign corporation tax		
	Foreign corporation tax	4,509,077	6,599,935
	Adjustment for prior years	-	(26,488)
		4,509,077	6,573,447
	Current tax charge	5,009,121	7,066,794
	Deferred tax		
	- United Kingdom	5,404	(139)
	- Foreign tax	(175,066)	400,796
		4,839,459	7,467,451
	Factors affecting the tax charge for the year		
	Profit on ordinary activities before taxation	16,235,157	24,418,763
	Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 23.00% (2012 - 24.50%)	3,734,086	5,982,597
	Effects of:		
	Non deductible expenses	119,539	132,277
	Amortisation	13,887	-
	Capital allowances in excess of depreciation	(357,894)	(870,158)
	Tax losses utilised	(37,694)	(59,596)
	Foreign tax adjustments	1,615,863	1,946,426
	Adjustments to previous periods	7,746	(64,752)
	Other tax adjustments	(86,412)	-
		1,275,035	1,084,197
	Current tax charge	5,009,121	7,066,794

The group earns its profits in both the UK and non-UK territories. The rate used for the purposes of these financial statements is the standard UK corporation tax rate of 23% (2012: 24%) although this will vary depending upon the territory and the level of profits in each group company.

HYDAC LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2013

8 Profit for the financial year

As permitted by section 408 Companies Act 2006, the holding company's profit and loss account has not been included in these financial statements. The profit for the financial year is made up as follows:

	2013 £	2012 £
Holding company's profit for the financial year	<u>3,449,211</u>	<u>834,015</u>

9 Dividends

	2013 £	2012 £
Ordinary interim paid	<u>3,420,635</u>	<u>795,968</u>

10 Intangible fixed assets Group

	Goodwill £
Cost	
At 1 January 2013 & at 31 December 2013	<u>1,092,065</u>
Amortisation	
At 1 January 2013 & at 31 December 2013	<u>1,092,065</u>
Net book value	
At 31 December 2013	<u>-</u>
At 31 December 2012	<u>-</u>

HYDAC LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2013

11 Tangible fixed assets

Group

	Land and buildings freehold	Plant and machinery	Fixtures, fittings & equipment	Motor vehicles	Assets under construction	Total
	£	£	£	£	£	£
Cost or valuation						
At 1 January 2013	18,900,114	18,590,437	3,131,693	1,045,112	3,224,135	44,891,491
Exchange differences	(483,052)	(516,751)	(153,539)	(128,177)	(40,350)	(1,321,869)
Additions	397,736	1,750,249	717,755	97,388	4,042,339	7,005,467
Disposals	(7,019)	(546,397)	(85,337)	(76,869)	-	(715,622)
Reclassification	5,651,379	-	-	-	(5,651,379)	-
At 31 December 2013	24,459,158	19,277,538	3,610,572	937,454	1,574,745	49,859,467
Depreciation						
At 1 January 2013	4,751,397	10,164,896	2,078,769	442,709	-	17,437,771
Exchange differences	(115,574)	(240,205)	(103,147)	(42,923)	-	(501,849)
On disposals	(1,556)	(539,538)	(76,171)	(44,646)	-	(661,911)
Charge for the year	500,866	1,848,468	345,280	138,162	-	2,832,776
At 31 December 2013	5,135,133	11,233,621	2,244,731	493,302	-	19,106,787
Net book value						
At 31 December 2013	19,324,025	8,043,917	1,365,841	444,152	1,574,745	30,752,680
At 31 December 2012	14,148,717	8,425,541	1,052,924	602,403	3,224,135	27,453,720

With regards to the freehold property owned by one of its subsidiaries, Hydac Technology Limited, the group took advantage of the transitional arrangements available on first time adoption of FRS 15. In the financial statements for the year ended 31 December 2001, the company retained the book amounts 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 on the existing use basis by Messrs. Copley & Co. Chartered Surveyors, in 1987 and are carried at their valuation at that date.

HYDAC LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2013

Analysis of land and buildings at cost or valuation:	2013	2012
	£	£
At cost	721,389	721,389
Revaluation adjustment	(100,000)	(100,000)
At valuation	<u>621,389</u>	<u>621,389</u>

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

Freehold land and buildings	2013	2012
	£	£
Cost	721,389	721,389
Aggregate depreciation	(363,873)	(349,445)
Net book value	<u>357,516</u>	<u>371,944</u>

Included above are assets held under finance leases or hire purchase contracts as follows:

	Motor vehicles	Total
	£	£
Net book values		
At 31 December 2013	<u>22,721</u>	<u>22,721</u>
At 31 December 2012	<u>154,316</u>	<u>154,316</u>
Depreciation charge for the year		
31 December 2013	<u>8,262</u>	<u>8,262</u>
31 December 2012	<u>51,722</u>	<u>51,722</u>

HYDAC LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2013

12 Tangible fixed assets		
Investment properties	Group	Company
	£	£
Cost or valuation		
At 1 January 2013	679,860	-
Exchange differences	(34,290)	-
Revaluation	47,820	-
	<hr/>	<hr/>
At 31 December 2013	693,390	-
	<hr/>	<hr/>
Depreciation		
At 1 January 2013 & at 31 December 2013	-	-
	<hr/>	<hr/>
Net book value		
At 31 December 2013	693,390	-
	<hr/>	<hr/>
At 31 December 2012	679,860	-
	<hr/>	<hr/>

The valuation of the investment property was carried out by Lee Ling Ling (Ms) of Premas Valuers & Property Consultants Pte Limited.

HYDAC LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2013

13 Fixed asset investments

Company	Shares in subsidiary undertakings £
Cost	
At 1 January 2013 & at 31 December 2013	<u>4,951,864</u>

Holdings of more than 20%

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

Company	Shares held %	Country of incorporation	Nature of Business
Subsidiary undertakings			
Hydac Technology Limited	100	England	Manufacturer and distribution of components and systems for Fluid Power industry
Hydac Technology Pte Ltd	100	Singapore	Trading in hydraulic equipment and machinery
Hydac Pty Ltd	100	Australia	Trading in hydraulic equipment and machinery
Group			
Hydac Technology Corporation	100	U.S.A	Manufacture and assembly of components and systems for Fluid Power industry
Hydac Corporation	100	Canada	Distribution and sale of fluid conditioning and control products
Hydac International Corporation	100	U.S.A	Hydraulic components
Hydac International S.A. D.E. C.V.	99	Mexico	Trading in hydraulic equipment and machinery
Schroeder Industries LLC	100	U.S.A	Manufacture and assembly of components and systems for Fluid Power industry
Hydac Limited	100	New Zealand	Trading in hydraulic equipment and machinery

The results of the above subsidiary undertakings have been consolidated in these financial statements.

14 Stocks

	Group		Company	
	2013	2012	2013	2012
	£	£	£	£
Raw materials and consumables	15,076,480	12,017,935	-	-
Work in progress	401,391	259,415	-	-
Finished goods and goods for resale	7,993,334	8,187,689	-	-
	<u>23,471,205</u>	<u>20,465,039</u>	<u>-</u>	<u>-</u>

HYDAC LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2013

15 Debtors

	Group		Company	
	2013	2012	2013	2012
	£	£	£	£
Trade debtors	26,351,780	23,444,333	-	-
Amounts owed by group undertakings	745,676	2,399,182	29,000	29,000
Corporation tax	178,877	-	-	-
Other debtors	2,302,827	2,368,020	83,559	131,768
Prepayments and accrued income	1,182,939	1,069,642	-	-
	<u>30,762,099</u>	<u>29,281,177</u>	<u>112,559</u>	<u>160,768</u>

16 Current asset investments

	Group		Company	
	2013	2012	2013	2012
	£	£	£	£
Listed investments	<u>3,550,054</u>	<u>2,310,396</u>	<u>-</u>	<u>-</u>

Current asset investments relate to listed US Equity 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 £401,607 (2012 : £409,190).

HYDAC LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2013

17 Creditors : amounts falling due within one year

	Group 2013 £	2012 £	Company 2013 £	2012 £
Bank loans and overdrafts	24,566	25,871	-	-
Payments received on account	70,998	672,429	-	-
Net obligations under finance lease and hire purchase contracts	12,104	72,696	-	-
Trade creditors	6,777,216	6,931,986	6,250	711
Amounts owed to group undertakings	7,059,078	4,056,827	-	-
Corporation tax	-	252,033	379	1,077
Other taxes and social security costs	1,309,699	842,458	-	-
Other creditors	547,934	714,542	-	-
Accruals and deferred income	2,615,652	1,990,795	52,500	50,000
	<u>18,417,247</u>	<u>15,559,637</u>	<u>59,129</u>	<u>51,788</u>

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 expires on 31 August 2014. Interest is charged at LIBOR market index rate plus 1.5%. The facility also has provisions for the issuance 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 2013 or 2012.

HYDAC LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2013

18 Creditors : amounts falling due after more than one year

	Group 2013 £	2012 £	Company 2013 £	2012 £
Bank loans	128,884	152,123	-	-
Net obligations under finance leases and hire purchase agreements	29,818	44,499	-	-
	<u>158,702</u>	<u>196,622</u>	<u>-</u>	<u>-</u>
Analysis of loans				
Not wholly repayable within five years by instalments:	30,620	48,639	-	-
Wholly repayable within five years	122,830	129,355	-	-
	<u>153,450</u>	<u>177,994</u>	<u>-</u>	<u>-</u>
Included in current liabilities	(24,566)	(25,871)	-	-
	<u>128,884</u>	<u>152,123</u>	<u>-</u>	<u>-</u>
Instalments not due within five years	30,620	48,639	-	-
	<u>30,620</u>	<u>48,639</u>	<u>-</u>	<u>-</u>
Loan maturity analysis				
In more than one year but not more than two years	24,566	25,871	-	-
In more than two years but not more than five years	73,698	77,613	-	-
In more than five years	30,620	48,639	-	-
	<u>30,620</u>	<u>48,639</u>	<u>-</u>	<u>-</u>

The bank loan is repayable in 180 monthly instalments with interest varying from 4.28% to 5.63%. It is secured by a mortgage over the investment property held by Hydac Technology Pte Ltd.

Net obligations under finance leases and hire purchase contracts

Repayable within one year	12,104	72,696	-	-
Repayable between one and five years	29,818	44,499	-	-
	<u>41,922</u>	<u>117,195</u>	<u>-</u>	<u>-</u>
Included in liabilities falling due within one year	(12,104)	(72,696)	-	-
	<u>29,818</u>	<u>44,499</u>	<u>-</u>	<u>-</u>

HYDAC LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2013

19 Provisions for liabilities

Group

	Deferred tax liability £	Other £	Total £
Balance at 1 January 2013	831,577	752,881	1,584,458
Exchange differences	(14,517)	(15,202)	(29,719)
Profit and loss account	(137,228)	(172,926)	(310,154)
Balance at 31 December 2013	<u>679,832</u>	<u>564,753</u>	<u>1,244,585</u>

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

The deferred tax (asset)/liability is made up as follows:

	Group		Company	
	2013 £	2012 £	2013 £	2012 £
Accelerated capital allowances	1,890,167	1,952,716	-	-
Other timing differences	(1,210,335)	(1,121,139)	-	-
	<u>679,832</u>	<u>831,577</u>	<u>-</u>	<u>-</u>

No deferred tax has been provided on gains recognised on revaluing current asset investments. Such tax would become payable if the investments were sold. The total amount unprovided for is approximately £1,101,957 (2012 : £655,000).

20 Pension contributions

Defined contribution

Included within other creditors at the year end are outstanding pension contributions of £349,315 (2012 : £408,739).

	2013 £	2012 £
Contributions payable by the group for the year	<u>1,041,873</u>	<u>1,105,796</u>

21 Share capital

	2013 £	2012 £
Allotted, called up and fully paid		
1,550,000 Ordinary Shares of £1 each	<u>1,550,000</u>	<u>1,550,000</u>

HYDAC LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2013

22 Statement of movements on reserves

Group

	Revaluation reserve £	Profit and loss account £
Balance at 1 January 2013	2,278,257	76,664,247
Profit for the year	-	11,390,107
Exchange adjustment on consolidation	(54,248)	(2,957,932)
Dividends paid	-	(3,420,635)
Revaluation during the year of listed investments	1,282,471	-
Revaluation during the year of investment property	47,821	-
Balance at 31 December 2013	<u>3,554,301</u>	<u>81,675,787</u>

Company

	Profit and loss account £
Balance at 1 January 2013	4,103,963
Profit for the year	3,449,211
Dividends paid	(3,420,635)
Balance at 31 December 2013	<u>4,132,539</u>

23 Minority interests

	2013 £	2012 £
Minority interests' share of net assets and liabilities in subsidiary undertakings	<u>31,280</u>	<u>26,462</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2013

25 Financial commitments

	Land and buildings		Other	
	2013	2012	2013	2012
	£	£	£	£
Expiry date:				
Within one year	409,405	220,266	35,472	8,290
Between two and five years	676,563	674,611	199,898	145,061
In over five years	199,133	264,457	7,844	-
	<u>1,285,101</u>	<u>1,159,334</u>	<u>243,214</u>	<u>153,351</u>

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HYDAC LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2013

26 Capital commitments

As at 31 December 2013, Hydac Technology Corporation, the US subsidiary, has committed to various capital projects. Management estimates that additional costs of approximately \$4,137,000 (2012 : \$3,700,000) will be incurred in the future to complete these projects.

27 Employees

Number of employees

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

	2013 Number	2012 Number
Administration	98	103
Warehouse and production	532	456
Selling and technical	236	226
	<u>866</u>	<u>785</u>

Employment costs

	2013 £	2012 £
Wages and salaries	24,301,938	22,770,050
Social security costs	2,110,660	1,866,751
Other pension costs	1,041,873	1,105,796
	<u>27,454,471</u>	<u>25,742,597</u>

28 Control

The directors regard the parent undertaking of Hydac Limited to be BUV GmbH, 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.

HYDAC LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2013

29 Related party transactions

Group

The group has taken advantage of the exemption available in FRS 8 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 £3,618,921 (2012 : £2,825,710) to other companies in the Hydac group (which were not included in these consolidated accounts) and purchases of £39,807,915 (2012 : £42,215,998). The amount due from these companies at the year end was £369,205 (2012 : £402,678) and the amount due to these companies was £5,317,145 (2012 : £3,983,912).

At the balance sheet date, the subsidiary Hydac Pty Ltd had unsecured loans due from Intre Pty Ltd of 3,280,000 Australian Dollars (2012 : 2,900,000 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.

At the balance sheet date, the parent company, Hydac Limited, also had an unsecured loan due from Intre Pty Ltd of £81,024 (2012: £131,768). 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.

Included in creditors is a loan of £Nil (2012 : £950,000) from the group company, BUV Betelilungs und Verwaltungsgesellschaft GmbH. The original loan was for £2,700,000 and repayments were made in the year of £950,000 (2012 : £750,000). Interest was charged on the loan at 2.0% per annum with interest to be paid every 12 months. Interest of £11,489 (2012 : £27,848) was charged in the period.

Included within other debtors is a loan of \$nil (2012 : \$3,028,000) due from Hydac Technology GmbH, another company within the Hydac group. Interest of \$41,250 (2012 : \$28,000) was charged during the year.