

Company Registration No. 2598826 (England and Wales)

**HYDAC LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**



# HYDAC LIMITED

## COMPANY INFORMATION

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

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# HYDAC LIMITED

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# HYDAC LIMITED

## STRATEGIC REPORT

### FOR THE YEAR ENDED 31 DECEMBER 2017

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The directors present the strategic report and financial statements for the year ended 31 December 2017.

#### **Review of the business**

The results before tax increased in the fiscal year with £15.56 million in 2016 and £21.19 million in 2017 and sales increased from £193.7 million in 2016 to £235.8 million in 2017.

The increase in stocks and debtors are in line with the growth in sales.

The global economy was influenced in 2017 by a rise in demand and a growth in global trade which also resulted in increased investment activities. After some years of stagnation, the fluid engineering and hydraulic market was characterized by an economic upswing.

HYDAC components can be found in all sectors of industrial and mobile hydraulics. In general, all sectors were growing in their return as compared to the previous year, with the exception of oil and gas and mining.

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 company's 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 2017**

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### 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:

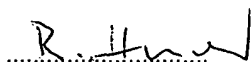
	2017	2016
	£	£
Sales	235,847,244	193,729,970
Employees	1,189	1,122
Sales/employee	198,358	172,665

The directors believe that the level of performance in 2017 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

19/9/2018

# **HYDAC LIMITED**

## **DIRECTORS' REPORT**

### **FOR THE YEAR ENDED 31 DECEMBER 2017**

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The directors present their report and financial statements of the company and the group for the year ended 31 December 2017.

#### **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.

#### **Disabled persons**

Handicapped people are part of our society and thus also working life. They are particularly reliant on the protection and the solidarity of society.

Equal opportunities and the self-determined participation of severely disabled people in working life as well as respectful cooperation with them are a priority of our Group.

#### **Employee involvement**

Our aim is to bind our highly qualified employees to us in the long term through collective pay, a good working atmosphere and by responding to individual concerns. Our success is clearly reflected in the low fluctuation and the length of service with the company.

We are in constant contact with our employees and staff representatives to inform our employees about the business developments in order to achieve a common awareness on the part of all employees of the financial and economic factors affecting the performance of the Group.

Views and interest of employees are taken into account when making management decisions.

We ensure appropriate training and further education of our employees and a safe and secure workplace environment.

# HYDAC LIMITED

## DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

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### Future developments

General market conditions are expected to continue to improve through 2018. Oil and gas and agricultural equipment will continue to be laggards, remaining flat or showing minor upticks at best.

For the following accounting year 2018 we anticipate further growth in sales 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.

Despite the increase in sales, we expect no significant change in the operative result compared to the previous fiscal year 2017 as margins will feel pressure from different factors such as the deterioration of the U.S. Dollar as well as increased commodity prices.

### Changes in presentation of the financial statements

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).

### 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:

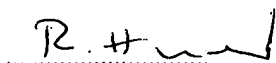
- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 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 is aware of that information.

By order of the board



R. Huber

Secretary

Date: 19/9/2018

# HYDAC LIMITED

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HYDAC LIMITED

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### Opinion

We have audited the financial statements of Hydac Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2017 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, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2017 and of the group's profit for year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

### Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

### Opinions on other matters prescribed by the Companies Act 2006

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

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#### 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.

#### Responsibilities of directors

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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

#### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



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

24/7/18

**Chartered Accountants**  
**Statutory Auditor**

55 Station Road  
Beaconsfield  
Bucks  
HP9 1QL

# HYDAC LIMITED

## GROUP PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	2017 £	2016 £
Turnover	3	235,847,244	193,729,970
Cost of sales		(161,820,634)	(129,450,613)
<b>Gross profit</b>		<b>74,026,610</b>	<b>64,279,357</b>
Distribution costs		(24,178,322)	(21,137,702)
Administrative expenses		(31,092,944)	(28,740,010)
<b>Operating profit</b>	4	<b>18,755,344</b>	<b>14,401,645</b>
Interest receivable and similar income	7	225,888	174,795
Interest payable and similar expenses		(368)	(522)
Other gains and losses		2,634,875	985,752
<b>Profit before taxation</b>		<b>21,615,739</b>	<b>15,561,670</b>
Tax on profit	8	(4,959,655)	(4,638,262)
<b>Profit for the financial year</b>		<b>16,656,084</b>	<b>10,923,408</b>
Profit for the financial year is attributable to:			
- Owners of the parent company		16,643,994	10,913,167
- Non-controlling interests		12,090	10,241
		<b>16,656,084</b>	<b>10,923,408</b>

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 2017

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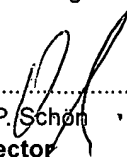
	2017 £	2016 £
<b>Profit for the year</b>	16,656,084	10,923,408
<b>Other comprehensive income</b>		
Currency translation differences	(8,949,303)	17,780,456
<b>Total comprehensive income for the year</b>	<u>7,706,781</u>	<u>28,703,864</u>
 Total comprehensive income for the year is attributable to:		
- Owners of the parent company	7,694,691	28,693,623
- Non-controlling interests	12,090	10,241
	<u>7,706,781</u>	<u>28,703,864</u>

# HYDAC LIMITED

## GROUP BALANCE SHEET AS AT 31 DECEMBER 2017

	Notes	2017		2016	
		£	£	£	£
<b>Fixed assets</b>					
Tangible assets	10		44,023,108		47,719,548
<b>Current assets</b>					
Stocks	14	33,980,868		30,183,599	
Debtors	15	36,678,272		31,519,747	
Investments	16	6,895,229		4,658,072	
Cash at bank and in hand		44,161,095		40,049,520	
		121,715,464		106,410,938	
<b>Creditors: amounts falling due within one year</b>	17	(26,264,430)		(20,710,489)	
<b>Net current assets</b>			95,451,034		85,700,449
<b>Total assets less current liabilities</b>			139,474,142		133,419,995
<b>Creditors: amounts falling due after more than one year</b>			(2,689)		(6,797)
<b>Provisions for liabilities</b>	19		(2,898,889)		(3,774,471)
<b>Net assets</b>			136,572,564		129,638,727
<b>Capital and reserves</b>					
Called up share capital	22		1,550,000		1,550,000
Profit and loss reserves			134,986,197		128,057,602
<b>Equity attributable to owners of the parent company</b>			136,536,197		129,607,602
<b>Non-controlling interests</b>			36,367		31,125
			136,572,564		129,638,727

The financial statements were approved by the board of directors and authorised for issue on 19/9/2018 and are signed on its behalf by:

  
O. P. Schön  
Director

# HYDAC LIMITED

## COMPANY BALANCE SHEET

AS AT 31 DECEMBER 2017

	Notes	2017 £	£	2016 £	£
<b>Fixed assets</b>					
Investments	11	5,210,489		5,210,489	
<b>Current assets</b>					
Debtors	15	41,511		34,476	
Cash at bank and in hand		887,734		860,992	
		929,245		895,468	
<b>Creditors: amounts falling due within one year</b>	17	(80,066)		(80,714)	
<b>Net current assets</b>		849,179		814,754	
<b>Total assets less current liabilities</b>		6,059,668		6,025,243	
<b>Capital and reserves</b>					
Called up share capital	22	1,550,000		1,550,000	
Profit and loss reserves		4,509,668		4,475,243	
<b>Total equity</b>		6,059,668		6,025,243	

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 £800,521 (2016 - £3,699,087).

The financial statements were approved by the board of directors and authorised for issue on 19/9/2018 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 2017

	Notes	Share capital £	Profit and loss reserves £	Total controlling interest £	Non-controlling interest £	Total £
<b>Balance at 1 January 2016</b>		1,550,000	103,033,434	104,583,434	26,500	104,609,934
<b>Year ended 31 December 2016:</b>						
Profit for the year		-	10,913,167	10,913,167	10,241	10,923,408
Other comprehensive income:						-
Currency translation differences		-	17,780,456	17,780,456	-	17,780,456
Total comprehensive income for the year		-	28,693,623	28,693,623	10,241	28,703,864
Dividends	9	-	(3,669,455)	(3,669,455)	(5,616)	(3,675,071)
<b>Balance at 31 December 2016</b>		1,550,000	128,057,602	129,607,602	31,125	129,638,727
<b>Year ended 31 December 2017:</b>						
Profit for the year		-	16,643,994	16,643,994	12,090	16,656,084
Other comprehensive income:						
Currency translation differences on overseas subsidiaries		-	(8,949,303)	(8,949,303)	-	(8,949,303)
Total comprehensive income for the year		-	7,694,691	7,694,691	12,090	7,706,781
Dividends	9	-	(766,096)	(766,096)	(6,848)	(772,944)
<b>Balance at 31 December 2017</b>		1,550,000	134,986,197	136,536,197	36,367	136,572,564

# HYDAC LIMITED

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

	Notes	Share capital £	Profit and loss reserves £	Total £
<b>Balance at 1 January 2016</b>		1,550,000	4,445,611	5,995,611
<b>Year ended 31 December 2016:</b>				
Profit and total comprehensive income for the year		-	3,699,087	3,699,087
Dividends	9	-	(3,669,455)	(3,669,455)
<b>Balance at 31 December 2016</b>		1,550,000	4,475,243	6,025,243
<b>Year ended 31 December 2017:</b>				
Profit and total comprehensive income for the year		-	800,521	800,521
Dividends	9	-	(766,096)	(766,096)
<b>Balance at 31 December 2017</b>		1,550,000	4,509,668	6,059,668

# HYDAC LIMITED

## GROUP STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	2017 £	£	2016 £	£
<b>Cash flows from operating activities</b>					
Cash generated from operations	27	17,682,743		19,219,918	
Interest paid		(368)		(522)	
Income taxes paid		(5,586,721)		(5,202,630)	
<b>Net cash inflow from operating activities</b>		<b>12,095,654</b>		<b>14,016,766</b>	
<b>Investing activities</b>					
Purchase of tangible fixed assets		(4,806,864)		(5,278,474)	
Proceeds on disposal of tangible fixed assets		114,649		123,518	
Interest received		225,888		174,795	
<b>Net cash used in investing activities</b>		<b>(4,466,327)</b>		<b>(4,980,161)</b>	
<b>Financing activities</b>					
Repayment of bank loans		173,640		175,800	
Payment of finance leases obligations		(4,152)		(559)	
Dividends paid to equity shareholders		(766,096)		(3,669,455)	
Dividends paid to non-controlling interests		(6,848)		(5,616)	
<b>Net cash used in financing activities</b>		<b>(603,456)</b>		<b>(3,499,830)</b>	
<b>Net increase in cash and cash equivalents</b>		<b>7,025,871</b>		<b>5,536,775</b>	
Cash and cash equivalents at beginning of year		40,049,520		28,970,528	
Effect of foreign exchange rates		(2,914,296)		5,542,217	
<b>Cash and cash equivalents at end of year</b>		<b>44,161,095</b>		<b>40,049,520</b>	



# HYDAC LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2017

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#### 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 £800,521 (2016 - £3,699,087).

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 2017. 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.

In these financial statements, the company is considered to be a qualifying entity (for the purpose of this FRS) and has applied the exemptions available under FRS 102 in respect of the Cash flow statement and related notes.

##### 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 from the sale of goods is recognised on despatch of goods.

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

##### 1.4 Research and development expenditure

Research expenditure is written off against profits in the year in which it is incurred. Identifiable development expenditure is capitalised to the extent that the technical, commercial and financial feasibility can be demonstrated.

# HYDAC LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2017

#### 1 Accounting policies

(Continued)

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 Fixed asset investments

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

#### 1.7 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.

#### 1.8 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 2017

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#### 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 at bank and in hand 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.

##### **Basic debt instruments**

Basic debt instruments which comprise Trade debtors, loans and other receivables that have fixed or determinable payments that are not quoted in an active market and 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 2017

---

#### 1 Accounting policies

(Continued)

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 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.

#### 1.12 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 in which it arises.

# HYDAC LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2017

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#### 1 Accounting policies

(Continued)

##### 1.13 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.

##### 1.14 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.

##### 1.15 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.

##### 1.16 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.

##### 1.17 Research and development

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

##### 1.18 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.

# HYDAC LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

### 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.

#### 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 Turnover and other revenue

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

	2017 £	2016 £
<b>Turnover analysed by geographical market</b>		
United Kingdom	20,960,985	17,305,916
Europe	9,489,591	6,192,696
Rest of the World	205,396,668	170,231,358
	<u>235,847,244</u>	<u>193,729,970</u>

# HYDAC LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

### 4 Operating profit

	2017 £	2016 £
Operating profit for the year is stated after charging/(crediting):		
Exchange gains	(22,873)	(394,182)
Research and development costs	260,414	151,804
Depreciation of owned tangible fixed assets	5,351,136	5,343,407
Depreciation of tangible fixed assets held under finance leases	2,427	762
(Profit)/loss on disposal of tangible fixed assets	(4,181)	6,491
Cost of stocks recognised as an expense	123,126,894	101,105,685
Stocks impairment losses recognised or reversed	493,858	(499,116)
Operating lease charges	1,741,437	1,456,187

### 5 Auditor's remuneration

	2017 £	2016 £
Fees payable to the company's auditor and associates:		
<b>For audit services</b>		
Audit of the financial statements of the group and company	27,400	26,100
Audit of the financial statements of the company's subsidiaries	28,560	27,200
	55,960	53,300
<b>For other services</b>		
Audit-related assurance services	36,350	34,650
Taxation compliance services	4,000	3,850
	40,350	38,500

### 6 Employees

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

	Group 2017 Number	2016 Number
Administration	114	105
Warehouse and production	736	685
Selling and technical	339	332
	1,189	1,122

# HYDAC LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

### 6 Employees

(Continued)

Their aggregate remuneration comprised:

	Group 2017 £	2016 £
Wages and salaries	45,024,267	38,332,421
Social security costs	3,609,857	3,051,545
Pension costs	1,933,278	1,255,829
	<u>50,567,402</u>	<u>42,639,795</u>

### 7 Interest receivable and similar income

	2017 £	2016 £
<b>Interest income</b>		
Interest on bank deposits	225,888	174,158
Interest receivable from group companies	-	637
	<u>225,888</u>	<u>174,795</u>

### 8 Taxation

	2017 £	2016 £
<b>Current tax</b>		
UK corporation tax on profits for the current period	338,816	241,366
Foreign current tax on profits for the current period	5,436,992	4,362,230
	<u>5,775,808</u>	<u>4,603,596</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	6,431	(44,997)
Foreign tax	(822,584)	79,663
	<u>(816,153)</u>	<u>34,666</u>
<b>Total deferred tax</b>		
	<u>(816,153)</u>	<u>34,666</u>
<b>Total tax charge for the year</b>	<u>4,959,655</u>	<u>4,638,262</u>



# HYDAC LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2017

#### 8 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:

	2017 £	2016 £
Profit before taxation	21,615,739	15,561,670
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2016: 20.00%)	4,106,990	3,112,334
Tax effect of expenses that are not deductible in determining taxable profit	209,611	191,520
Tax effect of utilisation of tax losses not previously recognised	-	(14,716)
Adjustments in respect of prior years	(6,688)	6,991
Permanent capital allowances in excess of depreciation	(367,870)	(342,631)
Effect of revaluations of investments	840,949	398,517
Other non-reversing timing differences	(64,169)	(51,676)
Effect of overseas tax rates	240,832	1,337,923
Taxation charge for the year	4,959,655	4,638,262

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 19% (2016: 20%) although this will vary depending upon the territory and the level of profits in each group company.

#### 9 Dividends

	2017 £	2016 £
Interim paid	772,944	3,675,071

## HYDAC LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

#### 10 Tangible fixed assets

Group	Land	Assets under construction	Plant and machinery	Fixtures, fittings & equipment	Motor vehicles	Total
	£	£	£	£	£	£
<b>Cost or valuation</b>						
At 1 January 2017	39,140,945	1,290,665	39,026,444	5,033,951	1,098,797	85,590,802
Additions	1,309,604	101,623	2,600,543	737,139	143,608	4,892,517
Disposals	(149,579)	-	(164,655)	(151,141)	(162,151)	(627,526)
Transfers	88,461	(88,461)	-	-	-	-
Exchange adjustments	(2,543,859)	(110,200)	(2,972,302)	(329,660)	(36,606)	(5,992,627)
At 31 December 2017	37,845,572	1,193,627	38,490,030	5,290,289	1,043,648	83,863,166
<b>Depreciation and impairment</b>						
At 1 January 2017	9,382,241	-	24,370,687	3,568,098	550,230	37,871,256
Depreciation charged in the year	1,038,207	-	3,689,203	475,553	150,600	5,353,563
Eliminated in respect of disposals	(149,579)	-	(98,862)	(145,325)	(123,292)	(517,058)
Exchange adjustments	(652,625)	-	(1,963,457)	(228,837)	(22,784)	(2,867,703)
At 31 December 2017	9,618,244	-	25,997,571	3,669,489	554,754	39,840,058
<b>Carrying amount</b>						
At 31 December 2017	28,227,328	1,193,627	12,492,459	1,620,800	488,894	44,023,108
At 31 December 2016	29,758,704	1,290,665	14,655,757	1,465,854	548,566	47,719,546

The company had no tangible fixed assets at 31 December 2017 or 31 December 2016.

# HYDAC LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

### 10 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 2017 £	2016 £	Company 2017 £	2016 £
Motor vehicles	8,900	10,672	-	-
Depreciation charge for the year in respect of leased assets	2,427	762	-	-

With regard to a freehold property owned by one of its subsidiaries, Hydac Technology Limited, amounting to net book value of £258,245 the group took advantage of the transitional arrangements available on first time adoption of FRS 102 to retain the previous revalued amount as deemed cost. The property had been previously revalued in 1987 by an independent valuer.

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

	Group 2017 £	2016 £	Company 2017 £	2016 £
Cost	37,945,572	39,240,945	-	-
Accumulated depreciation	(9,676,685)	(9,438,682)	-	-
Carrying value	28,268,887	29,802,263	-	-

### 11 Fixed asset investments

	Notes	Group 2017 £	2016 £	Company 2017 £	2016 £
Investments in subsidiaries	12	-	-	5,210,489	5,210,489

# HYDAC LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

### 11 Fixed asset investments

(Continued)

#### Movements in fixed asset investments Company

Shares in  
group  
undertakings  
£

#### Cost or valuation

At 1 January 2017 and 31 December 2017

5,210,489

#### Carrying amount

At 31 December 2017

5,210,489

At 31 December 2016

5,210,489

### 12 Subsidiaries

Details of the company's subsidiaries at 31 December 2017 are as follows:

Name of undertaking and country of incorporation or residency		Nature of business	Class of shareholding	% Held
<b>Company</b>				
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
<b>Group</b>				
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
Hydac Limited	New Zealand	Trading in hydraulic equipment and machinery	Ordinary	100
Hydac Technology Corporation	USA	Manufacture and assembly of components and systems for Fluid Power industry	Ordinary	100
Schroeder Industries LLC	USA	Manufacture and assembly of components and systems for Fluid Power industry	Ordinary	100

# HYDAC LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

### 13 Financial instruments

	Group 2017 £	2016 £	Company 2017 £	2016 £
<b>Carrying amount of financial assets</b>				
Debt instruments measured at amortised cost	33,782,828	29,726,706	29,000	29,000
Equity instruments measured at fair value through profit or loss	6,895,229	4,658,072	5,210,489	5,210,489
<b>Carrying amount of financial liabilities</b>				
Measured at amortised cost	22,048,440	16,458,006	-	4,900

### 14 Stocks

	Group 2017 £	2016 £	Company 2017 £	2016 £
Raw materials and consumables	20,161,271	19,158,142	-	-
Work in progress	1,615,237	498,244	-	-
Finished goods and goods for resale	12,204,360	10,527,213	-	-
	33,980,868	30,183,599	-	-

### 15 Debtors

	Group 2017 £	2016 £	Company 2017 £	2016 £
<b>Amounts falling due within one year:</b>				
Trade debtors	31,338,924	27,366,113	-	-
Gross amounts due from contract customers	465,209	-	-	-
Corporation tax recoverable	1,422,248	1,033,854	-	-
Amounts owed by group undertakings	1,125,768	1,138,452	29,000	29,000
Other debtors	1,330,647	1,227,617	12,511	5,476
Prepayments and accrued income	995,476	753,711	-	-
	36,678,272	31,519,747	41,511	34,476

# HYDAC LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

### 16 Current asset investments

	Group 2017 £	2016 £	Company 2017 £	2016 £
Listed investments	6,895,229	4,658,072	-	-

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 £516,143 (2016: £538,292).

### 17 Creditors: amounts falling due within one year

	Notes	Group 2017 £	2016 £	Company 2017 £	2016 £
Obligations under finance leases	18	4,034	4,078	-	-
Trade creditors		9,566,153	6,572,906	-	4,900
Amounts due to group undertakings		12,037,854	8,876,249	-	-
Corporation tax payable		865,703	194,938	4,705	3,228
Other taxation and social security		767,600	830,060	-	-
Other creditors		435,710	997,976	-	-
Accruals and deferred income		2,587,376	3,234,282	75,361	72,586
		26,264,430	20,710,489	80,066	80,714

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 2018, but has been renewed until the 1 September 2019. 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 2017 or 2016.

### 18 Finance lease obligations

	Group 2017 £	2016 £	Company 2017 £	2016 £
Future minimum lease payments due under finance leases:				
Within one year	4,034	4,078	-	-
In two to five years	2,689	6,797	-	-
	6,723	10,875	-	-

# HYDAC LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2017

#### 18 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.

#### 19 Provisions for liabilities

	Notes	Group 2017 £	2016 £	Company 2017 £	2016 £
Warranty provision		433,966	443,974	-	-
Deferred tax liabilities	20	2,464,923	3,330,497	-	-
		<u>2,898,889</u>	<u>3,774,471</u>	<u>-</u>	<u>-</u>

Movements on provisions apart from deferred tax liabilities:

Group	£
At 1 January 2017	443,974
Additional provisions in the year	303,135
Reversal of provision	(294,457)
Exchange difference	(18,686)
At 31 December 2017	<u>433,966</u>

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

#### 20 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 2017 £	Liabilities 2016 £
Accelerated capital allowances	3,318,270	4,732,739
Other timing differences	(853,347)	(1,402,242)
	<u>2,464,923</u>	<u>3,330,497</u>

The company has no deferred tax assets or liabilities.

# HYDAC LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

### 21 Retirement benefit schemes

	2017	2016
Defined contribution schemes	£	£
Charge to profit or loss in respect of defined contribution schemes	1,933,278	1,255,829

The group contributes to a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the group in an independently administered fund.

### 22 Share capital

	Group and company	
	2017	2016
Ordinary share capital	£	£
Issued and fully paid		
1,550,000 Ordinary Shares of £1 each	1,550,000	1,550,000

### 23 Financial commitments, guarantees and contingent liabilities

At 31 December 2017, the group has committed to various capital projects. The balance shown as assets under construction on the balance sheet at 31 December 2017 was £1,251,358 (2016: £1,290,665). Management estimates that additional costs of approximately £775,000 will be incurred in the future to complete these projects.

In February 2018, the group entered into an agreement to purchase and construct a new facility in Houston, Texas. Total costs to complete the purchase of land as well as design and construction of the facility are estimated to be approximately £2,018,000.

### 24 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		Company	
	2017	2016	2017	2016
	£	£	£	£
Within one year	1,382,146	1,651,903	-	-
Between two and five years	2,327,009	3,002,185	-	-
In over five years	8,882	20,122	-	-
	<u>3,718,037</u>	<u>4,674,210</u>	<u>-</u>	<u>-</u>



# HYDAC LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2017

#### 25 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 £11,357,366 (2016: £5,681,495 ) to other group companies in the Hydac group (which are not included in these consolidated accounts) and purchases of £63,135,677 (2016: £53,365,105). The amount due from these companies at the year end was £690,154 (2016: £1,138,452) and the amount due to these companies was £12,919,750 (2016: £8,876,249).

At the balance sheet date, the subsidiary Hydac Pty Ltd had unsecured loans due from Intre Pty Ltd of 1,400,000 Australian Dollars (2016: 1,700,000 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.

#### 26 Controlling party

The directors regard the parent undertaking and controlling party of Hydac Limited to be Inthol Beteiligungs-und-Verwaltungs GmbH, a company incorporated in Germany.

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

#### 27 Cash generated from group operations

	2017 £	2016 £
Profit for the year after tax	16,656,084	10,923,408
Adjustments for:		
Taxation charged	4,959,655	4,638,262
Finance costs	368	522
Investment income	(225,888)	(174,795)
(Gain)/loss on disposal of tangible fixed assets	(4,181)	6,491
Depreciation and impairment of tangible fixed assets	5,353,563	5,344,169
Other gains and losses	(2,634,875)	(985,752)
(Decrease) in provisions	(10,008)	(1,069,988)
Movements in working capital:		
(Increase) in stocks	(5,769,697)	(665,246)
(Increase)/decrease in debtors	(6,484,921)	99,290
Increase in creditors	5,842,643	1,103,557
<b>Cash generated from operations</b>	<b>17,682,743</b>	<b>19,219,918</b>