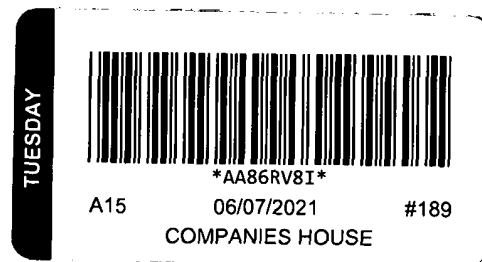


Company Registration No. 01261214 (England and Wales)

**HYDAC TECHNOLOGY LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**



# HYDAC TECHNOLOGY LIMITED

## COMPANY INFORMATION

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|                          |                                                                                            |
|--------------------------|--------------------------------------------------------------------------------------------|
| <b>Directors</b>         | W. Dieter<br>R. Huber<br>K. Brownlee<br>D. Wait<br>A. Dieter                               |
| <b>Company number</b>    | 01261214                                                                                   |
| <b>Registered office</b> | 55 Station Road<br>Beaconsfield<br>Buckinghamshire<br>HP9 1QL                              |
| <b>Auditor</b>           | Rouse Audit LLP<br>55 Station Road<br>Beaconsfield<br>Buckinghamshire<br>HP9 1QL           |
| <b>Bankers</b>           | Lloyds Bank (High Wycombe)<br>27-31 White Hart Street<br>High Wycombe<br>Bucks<br>HP11 2HL |

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# **HYDAC TECHNOLOGY LIMITED**

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# HYDAC TECHNOLOGY LIMITED

## STRATEGIC REPORT

### FOR THE YEAR ENDED 31 DECEMBER 2020

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The directors present the strategic report for the year ended 31 December 2020.

#### Review of the business

The business operates predominantly in the U.K. and Republic of Ireland, however it is also the design authority for a number of global products and as such a proportion of its business is exported accordingly. The markets the business serves are broad and whilst the majority are traditional, with moves in various industries towards sustainability the product range continues to evolve to help meet the demands of our customers. This evolution of products has enabled the business to not only develop within existing customers but also to penetrate new opportunities and growth of market share continues to be positive.

Business in 2020 was unsurprisingly curtailed by the situation surrounding the global pandemic and results herein show the bottom line figures. The second quarter of 2020 was particularly impacted with a number of major customers taking the decision to close their facilities whilst they understood the situation better for their businesses and the operational safety for their staff was reviewed.

Thankfully business levels in the second half of 2020 started to recover and towards the end of the year we had some very positive signs of a full recovery as we go into 2021. This would have been better if not for the spectre of Brexit and some of the uncertainty around this as we headed into November without a deal being concluded.

As we head into 2021 whilst the situation surrounding the global pandemic is far from solved the feeling of 'returning to normal' will persist and the upturn in demand for raw materials may have an effect on the supply chain with the likelihood of increase in costs and availability restrictions and these will need to be managed carefully.

#### Principal risks and uncertainties

The business has risk management processes that seek to identify, assess and manage financial risk. The following risks have been identified :

#### Financial instruments

##### Liquidity risk

The company monitors and reviews liquidity risks regularly on an ongoing basis and also as part of the planning process. The board considers short-term requirements against available sources of funding, taking into account cash flow and responds to any identified needs as necessary to support the business.

##### Currency, market and price risk

Exchange rate of the Pound to the Euro still impacted on purchases, however the business continues to achieve the margins expected through active management of their pricing strategy.

##### Credit risk

The company's credit risk relates to the recovery of amounts owed by the customers for invoiced sales. The credit risk is managed by regular monitoring of outstanding amounts and through credit checks.

##### Covid risk

Where necessary the company will take advantage of any suitable government schemes that are available as we move through 2021. We continually monitor our financial position to ensure we remain viable and this has seen an increased focus to ensure we are able to react swiftly to an ever changing situation..

# HYDAC TECHNOLOGY LIMITED

## STRATEGIC REPORT (CONTINUED)

**FOR THE YEAR ENDED 31 DECEMBER 2020**

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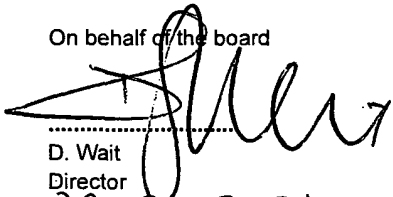
### Key performance indicators

#### Financial indicators

31 December 2020    31 December 2019

|                      |            |            |
|----------------------|------------|------------|
| Turnover (£)         | 24,110,281 | 25,898,050 |
| Gross Profit (%)     | 29%        | 29%        |
| Operating Profit (%) | 6%         | 5%         |

On behalf of the board

  
D. Wait  
Director

22.06.2021

# HYDAC TECHNOLOGY LIMITED

## DIRECTORS' REPORT

### FOR THE YEAR ENDED 31 DECEMBER 2020

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The directors present their annual report and financial statements for the year ended 31 December 2020.

#### Principal activities

The principal activity of the company is to manufacture hydraulic components and systems primarily aimed at the OEM industry; Off Highway and Construction, Agricultural, Municipal, Oil & Gas and Industrial as well as the After Sales and MRO Markets attached to these sectors. Components comprise a wide spectrum including hydraulic accumulators, fluid filters, coolers, electro-hydraulic controls, industrial valves, sensor systems, measuring equipment, cylinders and pumps. The company principally manufactures in Germany, and also has manufacturing in global areas including the UK, USA, China, Switzerland, Sweden and Italy. The marketing of the product is global, mainly via wholly owned distribution centres.

#### Directors

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

W. Dieter  
R. Huber  
K. Brownlee  
D. Wait  
A. Dieter

#### Results and dividends

The results for the year are set out on page 9.

The directors have ratified and paid an interim dividend in the year of £19,008,849 (2019 : £10,347,247).

#### Financial instruments

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

#### Future developments

The future development of the company is discussed within the Strategic Report on page 1 in accordance with s414C (11).

#### Statement of directors' responsibilities

The directors are responsible for preparing the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

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

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

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to 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 hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

# HYDAC TECHNOLOGY LIMITED

## DIRECTORS' REPORT (CONTINUED)

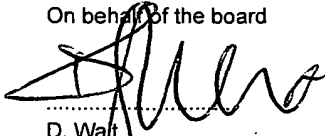
**FOR THE YEAR ENDED 31 DECEMBER 2020**

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### 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 company's auditor 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 company's auditor is aware of that information.

On behalf of the board



D. Wait  
Director  
22.06.2021

# HYDAC TECHNOLOGY LIMITED

## INDEPENDENT AUDITOR'S REPORT

### TO THE MEMBERS OF HYDAC TECHNOLOGY LIMITED

---

#### Opinion

We have audited the financial statements of Hydac Technology Limited (the 'company') for the year ended 31 December 2020 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity and notes to the financial statements, including significant accounting policies. 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 company's affairs as at 31 December 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### Basis for opinion

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

#### Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

#### 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 contained within the annual report. 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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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 TECHNOLOGY LIMITED

## INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF HYDAC TECHNOLOGY 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 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, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

### **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

# HYDAC TECHNOLOGY LIMITED

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

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Our approach to identifying and assessing the risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, was as follows:

- the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations;
- Through discussions with the directors and other management and from our commercial knowledge and experience of the manufacturing sector, we identified the laws and regulations applicable to the company; and
- Focusing on the specific laws and regulations which we considered may have a direct material effect on the financial statements or the operations of the company, we assessed the extent of compliance with those laws and regulations identified above through making enquiries of management and inspecting relevant correspondence.

We assessed the susceptibility of the company's financial statements to material misstatement, including obtaining an understanding of how fraud might occur, by:

- making enquiries of management as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected and alleged fraud; and
- considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations;

To address the risk of fraud through management bias and override of controls, we:

- performed analytical procedures to identify any unusual or unexpected relationships;
- tested journal entries to identify unusual transactions;
- assessed whether judgements and assumptions made in determining the accounting estimates detailed in the accounting policies were indicative of potential bias; and
- investigated the rationale behind significant or unusual bank transactions;

In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:

- agreeing financial statement disclosures to underlying supporting documentation;
- enquiring of management as to actual and potential litigation and claims;

There are inherent limitations in our audit procedures described above. The more removed that laws and regulations are from financial transactions, the less likely it is that we would become aware of non-compliance. Auditing standards also limit the audit procedures required to identify non-compliance with laws and regulations to enquiry of the directors and other management and the inspection of regulatory and legal correspondence, if any.

Material misstatements that arise due to fraud can be harder to detect than those that arise from error as they may involve deliberate concealment or collusion.

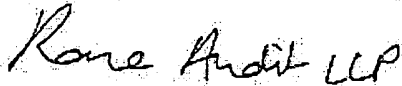
A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

## HYDAC TECHNOLOGY LIMITED

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

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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

23 June 2021  
.....

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

55 Station Road  
Beaconsfield  
Buckinghamshire  
HP9 1QL

# HYDAC TECHNOLOGY LIMITED

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2020

|                                                           | Notes | 2020<br>£         | 2019<br>£         |
|-----------------------------------------------------------|-------|-------------------|-------------------|
| Revenue                                                   | 3     | 24,110,281        | 25,898,050        |
| Cost of sales                                             |       | (17,178,470)      | (18,407,510)      |
| <b>Gross profit</b>                                       |       | <b>6,931,811</b>  | <b>7,490,540</b>  |
| Distribution costs                                        |       | (3,329,622)       | (3,803,955)       |
| Administrative expenses                                   |       | (2,305,931)       | (2,473,011)       |
| Other operating income                                    |       | 195,982           | -                 |
| <b>Operating profit</b>                                   | 4     | <b>1,492,240</b>  | <b>1,213,574</b>  |
| Investment income                                         | 8     | 19,010,365        | 10,353,604        |
| <b>Profit before taxation</b>                             |       | <b>20,502,605</b> | <b>11,567,178</b> |
| Tax on profit                                             | 9     | (335,055)         | (249,607)         |
| <b>Profit and total comprehensive income for the year</b> |       | <b>20,167,550</b> | <b>11,317,571</b> |

The income statement has been prepared on the basis that all operations are continuing operations.

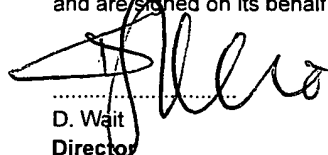
# HYDAC TECHNOLOGY LIMITED

## STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020

|                                              | Notes | 2020<br>£          | £ | 2019<br>£          | £ |
|----------------------------------------------|-------|--------------------|---|--------------------|---|
| <b>Non-current assets</b>                    |       |                    |   |                    |   |
| Property, plant and equipment                | 11    | 8,061,100          |   | 8,333,944          |   |
| Investments                                  |       | 2,835,582          |   | 2,835,582          |   |
|                                              |       | <u>10,896,682</u>  |   | <u>11,169,526</u>  |   |
| <b>Current assets</b>                        |       |                    |   |                    |   |
| Inventories                                  | 13    | 4,692,608          |   | 3,950,130          |   |
| Trade and other receivables                  | 14    | 5,685,299          |   | 4,547,009          |   |
| Cash and cash equivalents                    |       | 3,277,034          |   | 1,911,416          |   |
|                                              |       | <u>13,654,941</u>  |   | <u>10,408,555</u>  |   |
| <b>Current liabilities</b>                   |       | <u>(4,266,759)</u> |   | <u>(2,464,703)</u> |   |
| <b>Net current assets</b>                    |       | <u>9,388,182</u>   |   | <u>7,943,852</u>   |   |
| <b>Total assets less current liabilities</b> |       | <u>20,284,864</u>  |   | <u>19,113,378</u>  |   |
| <b>Provisions for liabilities</b>            |       |                    |   |                    |   |
| Provisions                                   | 17    | 52,000             |   | 64,177             |   |
| Deferred tax liability                       | 16    | 252,254            |   | 227,292            |   |
|                                              |       | <u>(304,254)</u>   |   | <u>(291,469)</u>   |   |
| <b>Net assets</b>                            |       | <u>19,980,610</u>  |   | <u>18,821,909</u>  |   |
| <b>Equity</b>                                |       |                    |   |                    |   |
| Called up share capital                      | 19    | 1,000,000          |   | 1,000,000          |   |
| Retained earnings                            |       | 18,980,610         |   | 17,821,909         |   |
| <b>Total equity</b>                          |       | <u>19,980,610</u>  |   | <u>18,821,909</u>  |   |

The financial statements were approved by the board of directors and authorised for issue on 22.06.2021 and are signed on its behalf by:

  
D. Wait  
Director

Company Registration No. 01261214

# HYDAC TECHNOLOGY LIMITED

## STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2020

|                                                    | Notes | Share<br>capital<br>£ | Retained<br>earnings<br>£ | Total<br>£   |
|----------------------------------------------------|-------|-----------------------|---------------------------|--------------|
| <b>Balance at 1 January 2019</b>                   |       | 1,000,000             | 16,851,585                | 17,851,585   |
| <b>Year ended 31 December 2019:</b>                |       |                       |                           |              |
| Profit and total comprehensive income for the year |       | -                     | 11,317,571                | 11,317,571   |
| Dividends                                          | 10    | -                     | (10,347,247)              | (10,347,247) |
| <b>Balance at 31 December 2019</b>                 |       | 1,000,000             | 17,821,909                | 18,821,909   |
| <b>Year ended 31 December 2020:</b>                |       |                       |                           |              |
| Profit and total comprehensive income for the year |       | -                     | 20,167,550                | 20,167,550   |
| Dividends                                          | 10    | -                     | (19,008,849)              | (19,008,849) |
| <b>Balance at 31 December 2020</b>                 |       | 1,000,000             | 18,980,610                | 19,980,610   |

# HYDAC TECHNOLOGY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

---

### 1 Accounting policies

#### Company Information

Hydac Technology Limited is a limited company domiciled and incorporated in England and Wales. The registered office is 55 Station Road, Beaconsfield, Buckinghamshire, HP9 1QL. Its principal place of business is De Havilland Way, Windrush Park, Witney, Oxfordshire, OX29 0YG.

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

In these financial statements, the company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Section 4 'Statement of Financial Position' – Reconciliation of the opening and closing number of shares;
- Section 7 'Statement of Cash Flows' – Presentation of a statement of cash flow and related notes and disclosures;
- Section 33 'Related Party Disclosures' – Compensation for key management personnel.

#### 1.2 Going concern

Whilst COVID-19 is still an ongoing situation globally at the time of writing this statement the effect on day to day business has significantly lessened compared to last year. The level of business appears to be returning to 2018/19 levels with many customers advising order books filling up quickly for the year and many postponed and/or new projects already being discussed and won early in 2021. As for specific Government support packages whilst they are still available currently our business does not require them but should the situation develop negatively then they will be reviewed once again.

Taking these factors into consideration, the directors believe the business will have sufficient resources available in order to meet its obligations as they fall due for a period of at least 12 months from the date of approval of these financial statements. Consequently, the directors are satisfied that the company has adequate resources to continue in operational existence for the foreseeable future and for this reason they continue to adopt the going concern basis for preparing the financial statements.

#### 1.3 Revenue

Turnover represents amounts receivable for goods and services net of VAT and trade discounts. Revenue is recognised on despatch of goods.

#### 1.4 Long term contracts

Turnover is recognised on the basis of the level of completion of the contract. Revenue is recognised using the "percentage complete" method, as work is completed against the project. The percentage complete is determined through the costs incurred to date over the total expected costs. Costs therefore drive the percentage complete. Revenue follows costs under this method and any differences from the amounts invoiced are recognised as either deferred or accrued income as appropriate.

Projects are reviewed on an annual basis and profit is recognised based on percentage stage of completion (based on costs incurred to date). Any losses will be identified as part of the review against budget so that losses are provided for as soon as management are aware of them.

# HYDAC TECHNOLOGY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

(Continued)

### 1 Accounting policies

#### 1.5 Property, plant and equipment

Property, plant and equipment are initially measured at cost and subsequently measured at cost net of depreciation and any impairment losses.

Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

|                             |                                                    |
|-----------------------------|----------------------------------------------------|
| Freehold land and buildings | Land Nil/Buildings 2% on cost/10% reducing balance |
| Plant and equipment         | 25% reducing balance                               |
| Motor vehicles              | 25% reducing balance                               |

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

#### 1.6 Impairment of tangible assets

At each reporting end date, the company reviews the carrying amounts of its tangible 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 company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

#### 1.7 Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution. A provision is made for slow moving inventories. The cost of finished goods and work in progress comprises raw materials, direct labour, and other direct costs.

#### 1.8 Financial assets

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

Financial assets and liabilities are offset, with 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.

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market 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.



# HYDAC TECHNOLOGY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

(Continued)

### 1 Accounting policies

#### **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 company 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.

### 1.9 Financial liabilities

Basic financial liabilities, including trade and other payables, bank loans and loans from fellow group companies 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 receipts discounted at a market rate of interest.

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

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts 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 payables 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 company's contractual obligations expire or are discharged or cancelled.

### 1.10 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

### 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 income statement 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 company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

# HYDAC TECHNOLOGY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

(Continued)

### 1 Accounting policies

#### *Deferred tax*

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

#### 1.12 Provisions

Provisions are recognised when the company has a legal or constructive present obligation as a result of a past event, it is probable that the company 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.

#### 1.13 Employee benefits

The company contributes to a defined contribution scheme for the benefit of its employees. Contributions payable are charged to the profit and loss account in the year they are payable.

#### 1.14 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 statement of financial position as a finance lease obligation. Lease payments are treated as consisting of capital and interest elements. The interest is charged to profit or loss 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 profit or loss 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 leases asset are consumed.

#### 1.15 Grants

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

A grant that specifies performance conditions is recognised in income when the performance conditions are met. Where a grant does not specify performance conditions it is recognised in income when the proceeds are received or receivable. A grant received before the recognition criteria are satisfied is recognised as a liability.

#### 1.16 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation in the period are included in profit or loss.

# HYDAC TECHNOLOGY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

(Continued)

### 1 Accounting policies

#### 1.17 Group accounts

The company has taken advantage of the exemption under section 400 of the Companies Act 2006 not to prepare consolidated accounts. The financial statements present information about the company as an individual entity and not about its group.

Hydac Technology Limited is a wholly owned subsidiary of Hydac Limited and the results of Hydac Technology Limited are included in the consolidated financial statements of Hydac Limited which are publicly available.

### 2 Judgements and key sources of estimation uncertainty

In the application of the company'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 source of estimation uncertainty

##### Inventory Provision

A provision for slow moving inventory is included in order to provide for slow moving items in line with group policy and is based upon usage levels.

##### Deferred and accrued income

Revenue on long term projects is recognised based on level of completion of the project. The percentage complete is determined through the costs incurred to date over the total expected costs.

### 3 Revenue

An analysis of the company's revenue is as follows:

|                                              | 2020              | 2019              |
|----------------------------------------------|-------------------|-------------------|
|                                              | £                 | £                 |
| <b>Revenue analysed by class of business</b> |                   |                   |
| Mobile                                       | 9,850,982         | 12,231,424        |
| Industrial                                   | 11,112,524        | 10,816,298        |
| Export                                       | 3,146,775         | 2,850,328         |
|                                              | <u>24,110,281</u> | <u>25,898,050</u> |

# HYDAC TECHNOLOGY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

### 3 Revenue (Continued)

|                                                | 2020<br>£         | 2019<br>£         |
|------------------------------------------------|-------------------|-------------------|
| <b>Revenue analysed by geographical market</b> |                   |                   |
| United Kingdom                                 | 18,443,840        | 21,131,414        |
| European Community                             | 4,191,032         | 3,533,858         |
| Rest of World                                  | 1,475,409         | 1,232,778         |
|                                                | <u>24,110,281</u> | <u>25,898,050</u> |

### 4 Profit for the year

|  | 2020<br>£ | 2019<br>£ |
|--|-----------|-----------|
|--|-----------|-----------|

Profit for the year is stated after charging/(crediting):

|                                                     |           |         |
|-----------------------------------------------------|-----------|---------|
| Exchange losses/(gains)                             | (72,278)  | 80,421  |
| Government grants                                   | (195,982) | -       |
| Depreciation of owned property, plant and equipment | 484,666   | 553,839 |
| Loss on disposal of property, plant and equipment   | 494       | 18,793  |
| Write downs of inventories recognised as an expense | 14,313    | 14,017  |
|                                                     | <u></u>   | <u></u> |

Government grants relates to income in respect of the Coronavirus Job Retention Scheme.

### 5 Auditors' remuneration

The analysis of auditor's remuneration is as follows:

|                                                                                       | 2020<br>£     | 2019<br>£     |
|---------------------------------------------------------------------------------------|---------------|---------------|
| Fees payable to the company's auditors for the audit of the company's annual accounts | <u>31,479</u> | <u>30,765</u> |

### 6 Employees

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

|                          | 2020<br>Number | 2019<br>Number |
|--------------------------|----------------|----------------|
| Administration           | 29             | 21             |
| Warehouse and production | 24             | 37             |
| Selling and technical    | 79             | 79             |
|                          | <u>132</u>     | <u>137</u>     |

# HYDAC TECHNOLOGY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

### 6 Employees

(Continued)

Their aggregate remuneration comprised:

|                       | 2020<br>£        | 2019<br>£        |
|-----------------------|------------------|------------------|
| Wages and salaries    | 4,909,727        | 4,870,802        |
| Social security costs | 503,417          | 495,622          |
| Pension costs         | 355,026          | 350,581          |
|                       | <u>5,768,170</u> | <u>5,717,005</u> |

### 7 Directors' remuneration

|                                                               | 2020<br>£      | 2019<br>£      |
|---------------------------------------------------------------|----------------|----------------|
| Remuneration for qualifying services                          | 216,600        | 242,585        |
| Company pension contributions to defined contribution schemes | 8,033          | 5,266          |
|                                                               | <u>224,633</u> | <u>247,851</u> |

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 1 (2019 - 2).

Remuneration disclosed above include the following amounts paid to the highest paid director:

|                                                               | 2020<br>£      | 2019<br>£      |
|---------------------------------------------------------------|----------------|----------------|
| Remuneration for qualifying services                          | 139,500        | 130,000        |
| Company pension contributions to defined contribution schemes | 8,033          | 7,650          |
|                                                               | <u>147,533</u> | <u>137,650</u> |

### 8 Investment income

|                                            | 2020<br>£         | 2019<br>£         |
|--------------------------------------------|-------------------|-------------------|
| <b>Interest income</b>                     |                   |                   |
| Interest on bank deposits                  | 1,516             | 6,357             |
| <b>Income from fixed asset investments</b> |                   |                   |
| Income from shares in group undertakings   | 19,008,849        | 10,347,247        |
| Total income                               | <u>19,010,365</u> | <u>10,353,604</u> |

# HYDAC TECHNOLOGY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

### 9 Taxation

|                                                      | 2020<br>£      | 2019<br>£      |
|------------------------------------------------------|----------------|----------------|
| <b>Current tax</b>                                   |                |                |
| UK corporation tax on profits for the current period | 310,093        | 174,639        |
| <b>Deferred tax</b>                                  |                |                |
| Origination and reversal of timing differences       | 24,962         | 74,968         |
| <b>Total tax charge</b>                              | <b>335,055</b> | <b>249,607</b> |

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

|                                                                                                      | 2020<br>£      | 2019<br>£      |
|------------------------------------------------------------------------------------------------------|----------------|----------------|
| Profit before taxation                                                                               | 20,502,605     | 11,567,178     |
| Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2019: 19.00%) | 3,895,495      | 2,197,764      |
| Tax effect of expenses that are not deductible in determining taxable profit                         | 2,164          | 3,615          |
| Permanent capital allowances in excess of depreciation                                               | 22,337         | 23,025         |
| Other non-reversing timing differences                                                               | -              | (8,820)        |
| Deferred tax adjustments in respect of prior years                                                   | 26,740         | -              |
| Adjustment in respect of dividend income                                                             | (3,611,681)    | (1,965,977)    |
| <b>Taxation charge for the year</b>                                                                  | <b>335,055</b> | <b>249,607</b> |

### 10 Dividends

|                        | 2020<br>Per share<br>£ | 2019<br>Per share<br>£ | 2020<br>Total<br>£ | 2019<br>Total<br>£ |
|------------------------|------------------------|------------------------|--------------------|--------------------|
| <b>Ordinary shares</b> |                        |                        |                    |                    |
| Interim paid           | 19.01                  | 10.35                  | 19,008,849         | 10,347,247         |

# HYDAC TECHNOLOGY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

### 11 Property, plant and equipment

|                                                | Freehold<br>land and<br>buildings | Plant and<br>equipment | Motor<br>vehicles | Total      |
|------------------------------------------------|-----------------------------------|------------------------|-------------------|------------|
|                                                | £                                 | £                      | £                 | £          |
| <b>Cost or valuation</b>                       |                                   |                        |                   |            |
| At 1 January 2020                              | 8,246,811                         | 3,676,802              | 3,541             | 11,927,154 |
| Additions                                      | 65,872                            | 146,443                | -                 | 212,315    |
| Disposals                                      | -                                 | (3,921)                | -                 | (3,921)    |
| At 31 December 2020                            | 8,312,683                         | 3,819,324              | 3,541             | 12,135,548 |
| <b>Accumulated depreciation and impairment</b> |                                   |                        |                   |            |
| At 1 January 2020                              | 1,158,253                         | 2,432,910              | 2,047             | 3,593,210  |
| Charge for the year                            | 144,826                           | 339,466                | 374               | 484,666    |
| Eliminated on disposal                         | -                                 | (3,428)                | -                 | (3,428)    |
| At 31 December 2020                            | 1,303,079                         | 2,768,948              | 2,421             | 4,074,448  |
| <b>Carrying amount</b>                         |                                   |                        |                   |            |
| At 31 December 2020                            | 7,009,604                         | 1,050,376              | 1,120             | 8,061,100  |
| At 31 December 2019                            | 7,088,558                         | 1,243,892              | 1,494             | 8,333,944  |

With regard to the freehold property amounting to £621,389 the company took advantage of the transitional arrangements under FRS15 and later FRS 102. In the financial statements for the year ended 31 December 2001, the company retained the book amounts as deemed cost at that date of the land and buildings that had previously been revalued in accordance with the company's accounting policies. The land and buildings concerned were independently valued in 1987 and are carried at their valuation at that date.

#### Analysis of land and buildings

|             | 2020<br>£ | 2019<br>£ |
|-------------|-----------|-----------|
| At cost     | 721,389   | 721,389   |
| Revaluation | (100,000) | (100,000) |
|             | 621,389   | 621,389   |

# HYDAC TECHNOLOGY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

### 11 Property, plant and equipment

(Continued)

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

#### Freehold land and buildings

|              | 2020<br>£      | 2019<br>£      |
|--------------|----------------|----------------|
| At cost      | 721,389        | 721,389        |
| Depreciation | (464,869)      | (450,441)      |
|              | <u>256,520</u> | <u>270,948</u> |



# HYDAC TECHNOLOGY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

### 12 Investments

|                                      | 2020<br>£ | 2019<br>£           |
|--------------------------------------|-----------|---------------------|
| Investments in subsidiaries          | 2,835,582 | 2,835,582           |
| <b>Movements in investments</b>      |           |                     |
|                                      |           | <b>Shares<br/>£</b> |
| <b>Cost</b>                          |           |                     |
| At 1 January 2020 & 31 December 2020 |           | 2,835,582           |
| <b>Impairment</b>                    |           |                     |
| At 1 January 2020 & 31 December 2020 |           | -                   |
| <b>Carrying Amount</b>               |           |                     |
| At 31 December 2020                  |           | 2,835,582           |
| At 31 December 2019                  |           | 2,835,582           |

These financial statements are separate company financial statements for Hydac Technology Limited.

Details of the company's subsidiaries at 31 December 2020 are as follows:

|                                 | Country of<br>incorporation (or<br>residence) | Proportion of<br>ownership<br>interest (%) | Proportion of<br>voting power<br>held (%) |
|---------------------------------|-----------------------------------------------|--------------------------------------------|-------------------------------------------|
| Hydac Technology Corporation    | USA                                           | 100                                        | 100                                       |
| Hydac International Corporation | USA                                           | 100                                        | 100                                       |
| Hydac International SADECV      | Mexico                                        | 99                                         | 99                                        |
| Hydac Corporation               | Canada                                        | 100                                        | 100                                       |

The aggregate of capital and reserves and the results of these undertakings for the last relevant financial year were as follows:

|                                 | Principal Activities | Capital and Profit/(loss) for the year<br>reserves 2020 | 2020      |
|---------------------------------|----------------------|---------------------------------------------------------|-----------|
|                                 |                      | £                                                       | £         |
| Hydac Technology Corporation    | Hydraulic Components | 98,122,853                                              | 9,387,813 |
| Hydac International Corporation | Hydraulic Components | 1,905                                                   | -         |
| Hydac International SADECV      | Hydraulic Components | 4,731,165                                               | 780,831   |
| Hydac Corporation               | Hydraulic Components | 10,310,452                                              | 1,670,371 |

# HYDAC TECHNOLOGY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

### 13 Inventories

|                                     | 2020<br>£        | 2019<br>£        |
|-------------------------------------|------------------|------------------|
| Work in progress                    | 468,718          | 172,723          |
| Finished goods and goods for resale | 4,223,890        | 3,777,407        |
|                                     | <u>4,692,608</u> | <u>3,950,130</u> |

### 14 Trade and other receivables

|                                      | 2020<br>£        | 2019<br>£        |
|--------------------------------------|------------------|------------------|
| Amounts falling due within one year: |                  |                  |
| Trade receivables                    | 5,056,523        | 4,093,667        |
| Amounts due from group undertakings  | 444,045          | 295,035          |
| Prepayments and accrued income       | 184,731          | 158,307          |
|                                      | <u>5,685,299</u> | <u>4,547,009</u> |

### 15 Trade and other payables

|                                   | 2020<br>£        | 2019<br>£        |
|-----------------------------------|------------------|------------------|
| Trade payables                    | 964,444          | 945,173          |
| Taxation and social security      | 999,189          | 667,802          |
| Amounts due to group undertakings | 1,878,252        | 605,225          |
| Accruals                          | 424,874          | 246,503          |
|                                   | <u>4,266,759</u> | <u>2,464,703</u> |

# HYDAC TECHNOLOGY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

### 16 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the company and movements thereon:

|                                               | £       |
|-----------------------------------------------|---------|
| Deferred tax liability at 1 January 2019      | 152,324 |
| <b>Deferred tax movements in prior year</b>   |         |
| Profit and loss charge                        | 74,968  |
| Deferred tax liability at 1 January 2020      | 227,292 |
| <b>Deferred tax movements in current year</b> |         |
| Profit and loss charge                        | 24,962  |
| Deferred tax liability at 31 December 2020    | 252,254 |

Deferred tax assets and liabilities are offset where the 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:

|                                        | 2020<br>£         | 2019<br>£         |
|----------------------------------------|-------------------|-------------------|
| Accelerated capital allowances         | 252,254           | 227,292           |
| <b>17 Provisions</b>                   | <b>2020<br/>£</b> | <b>2019<br/>£</b> |
| Specific product defect reserve        | 52,000            | 64,177            |
| Deferred tax liabilities (note 16)     | 252,254           | 227,292           |
|                                        | 304,254           | 291,469           |
| <b>Specific product defect reserve</b> | <b>2020<br/>£</b> | <b>2019<br/>£</b> |
| At 1 January 2020                      | 64,177            | 118,583           |
| Utilisation of provision               | (12,177)          | (54,406)          |
| At 31 December 2020                    | 52,000            | 64,177            |

The defect reserve is in respect of the probable cost of rectification of defects which relate to specific products. These provisions have been made on an individual product basis.

# HYDAC TECHNOLOGY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

### 18 Retirement benefit schemes

|                                                                     | 2020    | 2019    |
|---------------------------------------------------------------------|---------|---------|
| Defined contribution schemes                                        | £       | £       |
| Charge to profit or loss in respect of defined contribution schemes | 355,026 | 350,581 |

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

### 19 Share capital

|                                                 | 2020      | 2019      |
|-------------------------------------------------|-----------|-----------|
| Ordinary share capital<br>Issued and fully paid | £         | £         |
| 1,000,000 Ordinary shares of £1 each            | 1,000,000 | 1,000,000 |

### 20 Operating leases commitments

Amounts recognised in profit or loss as an expense during the period in respect of operating lease arrangements are as follows:

|                                               | 2020    | 2019    |
|-----------------------------------------------|---------|---------|
|                                               | £       | £       |
| Minimum lease payments under operating leases | 241,405 | 234,603 |

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

|                            | 2020    | 2019    |
|----------------------------|---------|---------|
|                            | £       | £       |
| Within one year            | 170,691 | 173,685 |
| Between two and five years | 172,154 | 297,519 |
|                            | 342,845 | 471,204 |

# HYDAC TECHNOLOGY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**FOR THE YEAR ENDED 31 DECEMBER 2020**

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### **21 Controlling party**

The ultimate parent undertaking in the current and previous financial year is INTHOL Beteiligungs-und-Verwaltungs GmbH, a company registered in Germany.

The company's immediate parent undertaking in the current and previous financial year is Hydac Limited, a company registered in England and Wales.

The smallest and largest group into which the company is consolidated is headed up by Hydac Limited. These group accounts are available from The Registrar, Companies House, Cardiff, CF4 3UZ.

### **22 Related party transactions**

During the period the company was a wholly owned subsidiary of Hydac Limited, and is included in the consolidated financial statements of that company. Consequently the company is exempt from disclosing related party transactions that are part of the Hydac Limited Group. During the year, the company entered into transactions with other companies in the Hydac group that were not included in the consolidated accounts of Hydac Limited as follows :

1) Sales of £2,165,549 (2019 : £2,195,972)

2) Purchases of £12,829,385 (2019 : £14,160,018)

The amounts due from these companies at the year end was £444,045 (2019 : £295,035)

The amounts due to these companies at the year end was £1,878,252 (2019 : £605,225)