

**HPC plc**

**Annual Report**

**for the year ended 31 August 2019**

**Registered in England no: 622352**



# **HPC plc**

## **Annual Report for the year ended 31 August 2019**

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# HPC plc

## Strategic report for the year ended 31 August 2019

HPC plc is a privately owned company whose business is predominantly the production, distribution and servicing of air compressors and ancillary equipment and the provision of sub-contract precision engineering services.

### Business review

	2019 £'000	2018 £'000
Turnover	41,466	43,854
Profit before tax	4,461	5,605

The reduction in turnover is a consequence of the decision taken during the year to focus on activities in the compressed air market and to withdraw from sub-contract manufacturing.

### Future developments

HPC Compressed Air Systems continues to grow its nationwide business and its international partnership with Kaeser Kompressoren, who share the same philosophy of low life-cycle costs and reliable compressed air availability.

During the year, the Company took the decision to withdraw from its sub-contract manufacturing activities and from 2020 will no longer provide out-sourced production to original equipment manufacturers outside of the Company's core industrial compressed air sector. HPC plc will retain a full capability precision engineering facility that will continue to support and provide services to a select number of manufacturing partners, in particular Kaeser Kompressoren in Germany. In addition, HPC plc will continue to research and develop new manufacturing opportunities that are complementary to our core focus on compressed air services.

At the time of writing, there continues to be significant uncertainty as the decision by the UK to leave the European Union unfolds. We continue to research the implications of potential tariffs and quota restrictions and plan for the potential impact on European based supplies. To facilitate this, a working group consisting of the key members of the management team was established and meets regularly to understand the possible impact on the business of leaving the EU and works to eliminate or mitigate risk wherever possible.

### Key performance indicators

	2019 £'000	2018 £'000
Cash at hand and in bank	9,462	8,069
Cash inflow from operating activities	4,632	3,824

# **HPC plc**

## **Strategic report (continued)**

### **Financial risk management**

HPC is, to a large degree, naturally hedged in its exposure to foreign currency, although this will be kept under constant review, particularly as the implications of the UK's exit from the European Union become better understood.

### **Credit risk**

Credit risk arises from cash and cash equivalents, deposits with banks as well as exposures to customers, including outstanding receivables and committed transactions. The company only uses banks with a minimum 'A' rating. A credit referencing agency is used to assess new and existing customers and limits are agreed by the Company Secretary and relevant Director. These are kept under review in light of trading experience. Any such risk is also mitigated by the company's extensive and diverse customer base.

On behalf of the board



Ian Curtis  
Director

21 February 2020

# HPC plc

## Directors' report for the year ended 31 August 2019

Registered in England no: 622352

The directors present their report and the audited financial statements of the company for the year ended 31 August 2019.

The business review, future developments and financial risk management of the company can be found in the Strategic Report on pages 2 to 3.

### Segmental information

In the opinion of the directors, the disclosure of segmental information would be seriously prejudicial to the interests of the company and has therefore not been provided. Going forward, the Company will be focussed on a single business and geographic segment.

### Research and development

The company's Precision Engineering activities include work required to develop new and enhanced products and processes, normally centred on resolving technical challenges. The work involved advances HPC's, the suppliers' and the customers' knowledge and capability. During the year, the company has continued to invest in research and development activities that are designed to lead to innovations in the production and delivery of compressed industrial gases.

### Results and dividends

The company's profit after tax for the financial year is £3,599,000 (2018: £4,624,000). The directors have recommended the following dividends in respect of the years ended 31 August 2019 and 31 August 2018:

	2019	2018
	£'000	£'000
'A' ordinary dividends paid	2,286	2,550

After payment of the above dividends, £1,642,000 for the financial year was transferred to the company's reserves (2018: £1,990,000 to reserves).

### Directors and their interests

The directors who were in office during the year and up to the date of signing the financial statements were:

Ian Curtis  
James Hunter  
Jason Morgan  
Ian Ratcliff  
Trevor Stott

## Directors' report (continued)

Registered in England no: 622352

In accordance with the company's articles of association, Ian Curtis retired and, being eligible, offers himself for re-election.

At 31 August 2019, the directors had no beneficial interests in the share capital of the company. The company is a wholly owned subsidiary of Lilac Limited, a company registered in England and Wales. The majority shareholder in Lilac Limited is Ian Curtis, who the directors consider to be the ultimate controlling party.

### Independent Auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution to reappoint PricewaterhouseCoopers LLP as auditors of the company will be proposed at the annual general meeting.

### Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and applicable law). Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, including FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- 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 adequate accounting records that are sufficient to show and explain the company's transactions, and disclose with reasonable accuracy at any time the financial position of the company, and 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.

# HPC plc

## Directors' report (continued)

Registered in England no: 622352

### Directors' indemnity statement

As permitted by the Articles of Association, the directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force.

### Disclosure of information to auditors

Each person who was a director in office at the date this report was approved confirms, as required by Section 418 of the Companies Act 2006, that to the best of his knowledge and belief:

- there is no significant information known to the director relevant to the audit, of which the company's auditors are unaware; and
- each director has taken reasonable steps to make him aware of such information as a director and to establish that the company's auditors are aware of that information.

By order of the board



Nikki Crossley  
Company Secretary

21 February 2020

# **HPC plc**

## **Independent auditors' report to the members of HPC plc**

### **Report on the audit of the financial statements**

#### **Opinion**

In our opinion, HPC plc's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 August 2019 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the statement of financial position as at 31 August 2019; the statement of comprehensive income, the statement of cash flows, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### ***Independence***

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

#### **Conclusions relating to going concern**

ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or



## Independent auditors' report (continued)

- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the 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.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern. For example, the terms of the United Kingdom's withdrawal from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

### Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

With respect to the Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

### Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 August 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

## **Independent auditors' report (continued)**

### **Responsibilities for the financial statements and the audit**

#### **Responsibilities of the directors for the financial statements**

As explained more fully in the Statement of directors' responsibilities set out on page 5, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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.

#### **Auditors' 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 auditors' 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 FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

#### **Use of this report**

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

## **HPC plc**

### **Independent auditors' report (continued)**

#### **Other required reporting**

##### **Companies Act 2006 exception reporting**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit;  
or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

M. Haverson

Matthew Haverson (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Gatwick

25 February 2020

# HPC plc

## Statement of comprehensive income for the year ended 31 August 2019

	Note	2019 £'000	2018 £'000
Turnover		41,466	43,854
Costs of sales		(27,356)	(27,706)
<b>Gross profit</b>		<b>14,110</b>	<b>16,148</b>
Distribution costs		(869)	(896)
Administrative expenses		(8,834)	(9,659)
<b>Operating profit</b>	4	<b>4,407</b>	<b>5,593</b>
Interest receivable and similar income	5	28	1
Interest payable and similar charges	5	-	(1)
Other financial income		26	12
<b>Profit on ordinary activities before taxation</b>		<b>4,461</b>	<b>5,605</b>
Tax on profit on ordinary activities	8	(862)	(981)
<b>Profit for the financial year</b>		<b>3,599</b>	<b>4,624</b>
Actuarial gain / (loss) on pension scheme	17	396	(101)
Movement on deferred tax relating to pension scheme		(67)	17
<b>Total comprehensive income recognised since last Annual Report</b>		<b>3,928</b>	<b>4,540</b>

All of the operations of the company are continuing.


There is no difference between the profit on ordinary activities before taxation and the profit for the year stated above and their historical cost equivalents.

# HPC plc

## Statement of financial position at 31 August 2019

	Note	2019 £'000	2018 £'000
<b>Tangible fixed assets</b>	10	<b>3,473</b>	<b>3,740</b>
<b>Current assets</b>			
Stocks	11	4,482	4,433
Debtors: amounts falling due within 1 year	12	7,759	7,657
Debtors: amounts falling due after more than 1 year	12	25	54
Cash at bank and in hand		9,462	8,069
		<b>21,728</b>	<b>20,213</b>
<b>Creditors: amounts falling due within one year</b>	13	<b>(11,585)</b>	<b>(11,219)</b>
<b>Net current assets</b>		<b>10,143</b>	<b>8,994</b>
<b>Total assets excluding pension asset less current liabilities</b>		<b>13,616</b>	<b>12,734</b>
<b>Creditors: amounts falling due after more than one year</b>	14	<b>(1,502)</b>	<b>(1,435)</b>
<b>Net assets excluding pension asset</b>		<b>12,114</b>	<b>11,299</b>
<b>Pension asset</b>	17	<b>1,415</b>	<b>588</b>
<b>Net assets including pension asset</b>		<b>13,529</b>	<b>11,887</b>
<b>Capital and reserves</b>			
Called up share capital	16	100	100
Profit and loss account		12,839	11,197
Capital redemption reserve		590	590
<b>Total shareholders' funds</b>		<b>13,529</b>	<b>11,887</b>

The financial statements on pages 11 to 27 were approved by the Board of Directors on 21 February 2020 and were signed on its behalf by:



Ian Curtis – Director  
HPC plc

Company number: 622352

# HPC plc

## Statement of changes in equity for the year ended 31 August 2019

Movements in shareholders' funds	Called up share capital £'000	Profit and loss account £'000	Capital redemption reserve £'000	Total £'000
Balance as at 1 September 2017	100	9,207	590	9,897
Total comprehensive income for the financial year	-	4,540	-	4,540
Dividends paid	-	(2,550)	-	(2,550)
Balance as at 31 August 2018	100	11,197	590	11,887
Total comprehensive income for the financial year	-	3,928	-	3,928
Dividends paid	-	(2,286)	-	(2,286)
Balance as at 31 August 2019	100	12,839	590	13,529

## Statement of cash flows for the year ended 31 August 2019

	Note	2019 £'000	2018 £'000
Net cash inflow from operating activities	(a)	4,632	3,824
Cash flow from financing activities			
Interest received		28	1
Interest paid		-	(1)
Equity dividends paid		(2,286)	(2,550)
Net cash outflow on financing activities		(2,258)	(2,550)
Taxation			
Corporation tax paid		(897)	(678)
Cash flow from investing activities			
Purchase of tangible fixed assets		(177)	(143)
Sale of tangible fixed assets		93	17
Net cash outflow from investing activities		(84)	(126)
Net cash inflow before use of liquid resources		1,393	470
Increase in cash		1,393	470

HPC plc includes as liquid resources term deposits of less than a year.

# HPC plc

## Notes to the statement of cash flows for the year ended 31 August 2019

### a) Reconciliation of operating profit to net cash inflow from operating activities

	2019 £'000	2018 £'000
Operating profit	4,407	5,593
Profit on sale of fixed assets	(76)	(17)
Depreciation – owned assets	427	624
Difference between pension charge and cash contributions	(575)	(549)
Increase in stocks	(49)	(419)
Increase in debtors	(73)	(66)
Increase/(decrease) in creditors	571	(1,342)
<b>Net cash inflow from operating activities</b>	<b>4,632</b>	<b>3,824</b>

### b) Reconciliation of net cash flow to movement in net funds

	2019 £'000	2018 £'000
Increase in cash in the year	1,393	470
<b>Movement in the year</b>	<b>1,393</b>	<b>470</b>
Net funds at 1 September	7,168	6,698
<b>Net funds at 31 August</b>	<b>8,561</b>	<b>7,168</b>

### c) Analysis of net funds

	31 August 2018 £'000	Cash Flow £'000	31 August 2019 £'000
Net cash			
Cash at bank and in hand	8,069	1,393	9,462
Less: debts falling due after one year	(901)	-	(901)
<b>Net funds</b>	<b>7,168</b>	<b>1,393</b>	<b>8,561</b>

# **HPC plc**

## **Notes to the financial statements for the year ended 31 August 2019**

### **1 General information**

HPC plc (“the company”) is a privately-owned company whose business is predominantly the production, distribution and servicing of air compressors and ancillary equipment and the provision of sub-contract precision engineering services.

The company is a public limited company and is incorporated in England. The address of its registered office is Victoria Gardens, Burgess Hill, West Sussex, RH15 9RQ.

### **2 Statement of compliance**

The financial statements of HPC plc have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, “The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland” (“FRS102”) and the Companies Act 2006.

### **3 Principal accounting policies**

#### **Basis of accounting**

These financial statements are prepared on the going concern basis, under the historical cost convention and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. The principal accounting policies, which have been applied consistently throughout the year, are set out below:

#### **Turnover**

Turnover represents the value of services and goods supplied to customers excluding value added tax and trade discounts. Turnover is recognised when risks and rewards are transferred to the customer based on agreement terms (either on despatch or delivery). In relation to the supply of services, turnover is recognised on a pro rata basis over the period in which the services are performed. For equipment leased to customers under finance leases, the revenue is recognised immediately, together with the cost of the equipment and treated as a finance lease arrangement. Finance lease interest is recognised over the primary period of the lease so as to produce a constant rate of return on the net cash investment. Any amounts invoiced to customers in advance of delivery of goods or the provision of a service are included within deferred income and recognised as turnover when the goods or the service are provided to the customer.



# HPC plc

## Notes to the financial statements (continued)

### 3 Principal accounting policies (continued)

#### Operating leases

Rentals paid under operating leases are charged to the statement of comprehensive income as incurred.

#### Stocks and work in progress

Materials stocks have been valued at the lower of cost or net realisable value. Work in progress and finished goods have been stated at the lower of cost of materials, labour and works overhead and net realisable value. Provision is made for obsolete, slow-moving and defective stock.

#### Research and development

Research and development expenditure is charged to the statement of comprehensive income in the year in which it is incurred.

#### Depreciation of tangible fixed assets

The cost of tangible fixed assets is the purchase cost together with any incidental costs of acquisition. Depreciation is charged on a straight-line basis, to write off the cost of fixed assets over their estimated useful lives as follows:

Freehold land and buildings	-	Not depreciated
Long leasehold buildings	-	Over the lease term or the life of the building if shorter
Short leasehold buildings	-	25 years or the lease term if less than 25 years
Building improvements	-	20 years or the lease term if less than 20 years
Plant & equipment	-	Between 3 and 10 years
Motor vehicles	-	4 years

#### Deferred taxation

Provision is made for deferred taxation using the incremental liability approach and is measured on a non-discounted basis at the tax rates that are expected to apply in the periods in which the timing differences reverse, based on tax rates and laws substantively enacted at the balance sheet date.

Deferred tax is recognised in respect of the timing differences that have originated but not reversed by the balance sheet date subject to the following:

- a) Deferred tax assets are recognised to the extent that they are regarded as recoverable. Assets are regarded as recoverable when it is considered more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing difference can be deducted.
- b) Deferred tax is not recognised on permanent differences.

# **HPC plc**

## **Notes to the financial statements (continued)**

### **3 Principal accounting policies (continued)**

#### **Foreign currencies**

Foreign currency monetary assets and liabilities are translated at the rates of exchange ruling at the balance sheet date except for those assets and liabilities covered by forward or commercial foreign exchange arrangements where the relevant rate is used. Foreign currency transactions during the year are translated at the rate ruling on the date of the transaction or at the rate specified in the forward contract covering the transaction. All foreign exchange differences are taken to the statement of comprehensive income in the year in which they arise.

#### **Pension costs**

The company operates a career average defined benefit pension scheme, which is closed to new hires, with assets held in a separately administered fund. The scheme assets are measured using closing market values. Pension scheme liabilities are measured using the projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability.

The increase in the present value of the liabilities of the defined benefit scheme expected to arise from employee service in the year is charged to operating profit. The changes in net value of the scheme's assets and liabilities, arising from the passage of time, are included in other financial (expense) / income. At present, the defined benefit scheme is fully funded on an FRS102 basis. Actuarial gains and losses are recognised in the statement of comprehensive income.

The company also operates a defined contribution pension scheme.

#### **Provisions**

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

#### **Cash at bank and in hand**

Cash and cash equivalents include cash in hand and deposits held on call with banks. The company does not operate a bank overdraft.

#### **Called up share capital**

Ordinary shares are classified as equity. No new shares have been issued.

# HPC plc

## Notes to the financial statements (continued)

### 3 Principal accounting policies (continued)

#### Critical accounting judgements and estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Directors consider there to be no critical accounting judgements.

#### Defined benefit pension scheme (note 17)

The company has obligations to pay pension benefits to certain present and former employees. The cost of these benefits and the present value of the obligation depend on a number of factors, including life expectancy, asset valuations and the discount rate on corporate bonds. Management estimates these factors in determining the net pension position in the balance sheet. The assumptions reflect historical experience and current trends. The impact of any reasonable change in assumptions is noted in Note 17.

### 4 Operating profit

	2019 £'000	2018 £'000
Profit on ordinary activities before taxation is stated after charging/(crediting):		
Staff costs - wages and salaries	6,326	6,435
- social security costs	618	661
- CSC of defined benefit pension (note 17)	265	291
- other pension costs	295	209
Total staff costs	7,504	7,596
Depreciation of owned assets	427	624
Operating lease charges – land and buildings	505	728
Operating lease charges – other	121	156
Profit on sale of fixed assets	(76)	(17)
<b>Services provided by the company's auditor</b>		
Fees payable for the audit	40	37
Fees payable for other services – tax compliance	7	7

Included within administration expenses is research and development totalling £73,000 (2018: £345,000).

Other pension costs include £111,000 (2018: £95,000) in respect of company contributions to the defined contribution scheme, £110,000 (2018: 82,000) for regulatory and administrative costs and £64,000 (2018: £70,000) for permanent health insurance costs related to the defined benefit scheme.

# HPC plc

## Notes to the financial statements (continued)

### 5 Interest payable/(receivable) and similar charges/(income)

	2019 £'000	2018 £'000
Interest payable	-	1
Interest receivable	(28)	(1)

### 6 Directors' emoluments

	2019 £'000	2018 £'000
Aggregate emoluments	<u>711</u>	<u>609</u>

Retirement benefits are accruing to two directors (2018: two) under a defined contribution scheme.

	2019 £'000	2018 £'000
Emoluments payable to the highest paid director are as follows:		
Aggregate emoluments	<u>263</u>	<u>265</u>

The highest paid director is a member of the defined contribution pension scheme.

### 7 Employees

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

Category of employees	Number of employees	
	2019	2018
Production	99	110
Administration	88	88
	<u>187</u>	<u>198</u>

# HPC plc

## Notes to the financial statements (continued)

### 8 Tax on profit on ordinary activities

	2019 £'000	2018 £'000
<b>Current tax</b>		
United Kingdom tax based on the results for the year:		
UK corporation tax on profits of the year	687	875
Adjustments in respect of prior years	32	-
Total current tax	719	875
<b>Deferred tax</b>		
Rate change	-	-
Adjustment in relation to defined benefit pension contributions	103	95
Origination and reversal of timing differences	40	11
Total deferred tax	143	106
<b>Tax on profit on ordinary activities</b>	<b>862</b>	<b>981</b>
<b>Reconciliation of tax charge</b>		
Tax assessed for the year at the standard rate of corporation tax in the UK for the year ended 31 August 2019 of 19 % (2018 19%).		
The differences are explained below:		
Profit before tax	4,461	5,605
Profit multiplied by standard rate of tax in the UK 19 %	848	1,065
Effects of:		
Adjustments in respect of prior years	32	-
Non-deductible for tax purposes	-	1
Research and development tax credit	(18)	(85)
<b>Total tax charge for the year</b>	<b>862</b>	<b>981</b>
<b>Balance sheet</b>	<b>2019 £'000</b>	<b>2018 £'000</b>
<b>Asset for deferred taxation</b>		
Opening deferred tax liability	144	55
Comprised of:		
Deferred tax liability at start of year recognised in creditors	24	13
Deferred tax liability at start of year recognised in pension liability	120	42
	144	55
Defined benefit pension adjustment to income statement	103	95
Defined benefit pension adjustment to OCI	67	(17)
Origination and reversal of timing differences	40	11
	354	144
Deferred tax liability at end of year recognised in creditors	64	24
Deferred tax liability at end of year recognised in pension asset	290	120
	354	144

# HPC plc

## Notes to the financial statements (continued)

### 9 Dividends

	2019 £'000	2018 £'000
<b>Dividends on equity shares:</b>		
Ordinary dividends paid of £22.86 per share (2018: £25.50)	<u>2,286</u>	<u>2,550</u>

### 10 Tangible fixed assets

	Freehold land and buildings £'000	Long leasehold £'000	Short leasehold £'000	Building improvements £'000	Plant and equipment £'000	Motor vehicles £'000	Total £'000
<b>Cost</b>							
At beginning of year	806	4,100	32	2,512	21,012	567	29,029
Additions	-	-	-	38	139	-	177
Disposals	-	-	-	-	(5,326)	(63)	(5,389)
<b>At end of year</b>	<u>806</u>	<u>4,100</u>	<u>32</u>	<u>2,550</u>	<u>15,825</u>	<u>504</u>	<u>23,817</u>
<b>Depreciation</b>							
At beginning of year	-	3,465	32	1,157	20,078	557	25,289
Charge for the year	-	54	-	97	266	10	427
Disposals	-	-	-	-	(5,309)	(63)	(5,372)
<b>At end of year</b>	<u>-</u>	<u>3,519</u>	<u>32</u>	<u>1,254</u>	<u>15,035</u>	<u>504</u>	<u>20,344</u>
<b>Net book value</b>							
At 31 August 2019	<u>806</u>	<u>581</u>	<u>-</u>	<u>1,296</u>	<u>790</u>	<u>-</u>	<u>3,473</u>
Net book value							
At 31 August 2018	<u>806</u>	<u>635</u>	<u>-</u>	<u>1,355</u>	<u>934</u>	<u>10</u>	<u>3,740</u>

# HPC plc

## Notes to the financial statements (continued)

### 11 Stocks

	2019 £'000	2018 £'000
Raw materials and consumables	1,539	1,899
Work in progress	443	673
Finished goods and goods for resale	2,500	1,861
	<u>4,482</u>	<u>4,433</u>

### 12 Debtors

	2019 £'000	2018 £'000
<b>Amounts falling due within one year:</b>		
Trade debtors	7,249	7,389
Other debtors	167	101
Prepayments and accrued income	343	167
	<u>7,759</u>	<u>7,657</u>

Amounts falling due after more than one year represents amounts receivable under finance lease arrangements of £25,000 (2018: £54,000).

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

	2019 £'000	2018 £'000
Trade creditors	8,019	7,572
Other creditors	84	126
Deferred tax	64	24
Corporation tax	186	364
Other taxation and social security	1,313	1,028
Accruals and deferred income	1,919	2,105
	<u>11,585</u>	<u>11,219</u>

# HPC plc

## Notes to the financial statements (continued)

### 14 Creditors: amounts falling due after more than one year

	2019 £'000	2018 £'000
Other creditors	901	901
Accruals and deferred income	601	534
	<u>1,502</u>	<u>1,435</u>

Other creditors include an unsecured, interest-free, non-instalment loan of £901,000 (2018: £901,000) repayable in full after more than 5 years.

### 15 Financial commitments

The company has annual commitments under non-cancellable operating leases as follows:

	2019		2018	
	Land & buildings £'000	Other £'000	Land & buildings £'000	Other £'000
Expiring in less than 1 year	536	227	522	152
Expiring in 2 to 5 years	1,501	231	1,114	213
Expiring after 5 years	264	6	374	13
	<u>2,301</u>	<u>464</u>	<u>2,010</u>	<u>378</u>

### 16 Called up share capital

	2019 £'000	2018 £'000
Authorised, allotted, called up and fully paid:		
Equity shares		
85,000 (2018: 85,000) 'A' ordinary shares of £1 each	85	85
15,000 (2018: 15,000) 'B' ordinary shares of £1 each	15	15
	<u>100</u>	<u>100</u>



# HPC plc

## Notes to the financial statements (continued)

### 17 Pension scheme

The valuation used for FRS 102 disclosures has been based on the most recent actuarial valuation at 6 April 2016 and updated by Scottish Widows to take account of the requirements of FRS 102 in order to assess the liabilities of the scheme at 31 August 2019. The plan assets are held in equity investments and bonds, which are quoted and are valued at the current bid price.

The main financial assumptions used to calculate scheme liabilities under FRS 102 are:

<b>Mortality assumptions</b>	<b>2019 Years</b>	<b>2018 Years</b>
Longevity at age 65 for current pensioners		
- Men	21.2	21.6
- Women	23.1	23.4
Longevity at age 65 for future pensioners		
- Men	22.3	22.7
- Women	24.3	24.7
<b>Valuation assumptions</b>	<b>At 31 August 2019</b>	<b>At 31 August 2018</b>
Discount rate	1.8%	2.6%
Retail price inflation	2.9%	3.1%
Pensions increases at Limited Price Indexation	2.9%	3.1%

### Reconciliation of present value of scheme liabilities

	<b>2019 £'000</b>	<b>2018 £'000</b>
Opening defined benefit obligation	25,748	25,710
Current service cost	265	291
Interest on obligation	654	605
Actuarial losses	1,963	468
Benefits paid	(1,479)	(1,326)
Closing defined benefit obligation	<u>27,151</u>	<u>25,748</u>

# HPC plc

## Notes to the financial statements (continued)

### 17 Pension scheme (continued)

#### Reconciliation of fair value of scheme assets

	2019 £'000	2018 £'000
Opening fair value of plan assets	26,456	25,958
Interest income	680	617
Actuarial gain	2,359	367
Contributions	840	840
Benefits paid	(1,479)	(1,326)
Closing fair value of plan assets	<u>28,856</u>	<u>26,456</u>

The company expects to contribute voluntarily £840,000 to this pension plan in the year to 31 August 2020.

#### Analysis of amount charged to operating profit in respect of defined benefit schemes

	2019 £'000	2018 £'000
Current service cost	265	291
Other financial income	(26)	(12)
Total operating charge	<u>239</u>	<u>279</u>

#### Analysis of the amount charged to other financial expense

	2019 £'000	2018 £'000
Interest expense on pension scheme liabilities	654	605
Interest income on pension scheme assets	(680)	(617)
Net income	<u>(26)</u>	<u>(12)</u>

#### Analysis of amount recognised in statement of comprehensive income

	2019 £'000	2018 £'000
Actual return less interest income recognised in profit	2,359	367
Experience gains / (losses) arising on the scheme liabilities	302	(161)
Changes in assumptions underlying the present value of the scheme	(2,265)	(307)
Actuarial gain / (loss) recognised in statement of comprehensive income	<u>396</u>	<u>(101)</u>

# HPC plc

## Notes to the financial statements (continued)

### 17 Pension scheme (continued)

#### Movement in surplus during the year

	2019 £'000	2018 £'000
Surplus in the scheme at the beginning of the year	708	248
Movement in the year:		
Current service cost	(265)	(291)
Other financial income	26	12
Contributions	840	840
Actuarial gain / (loss)	396	(101)
Surplus in the scheme at the end of the year	1,705	708
Related deferred tax liability	(290)	(120)
Net pension asset	1,415	588

#### History of experience gains and losses

	2019 £'000	2018 £'000	2017 £'000	2016 £'000	2015 £'000
Total market value of plan assets	28,856	26,456	25,958	24,303	21,213
Present value of scheme liabilities	(27,151)	(25,748)	(25,710)	(27,992)	(21,814)
Surplus / (deficit) in the scheme	1,705	708	248	(3,689)	(601)
Experience adjustments on plan assets	2,359	367	1,917	2,267	(559)
Experience adjustments on plan liabilities	302	(161)	35	61	370
Amounts recognised in statement of comprehensive income	2,661	206	1,952	2,328	(189)

#### Actuarial gains and losses

The cumulative amount of actuarial losses recognised in the statement of comprehensive income is £5,651,000 (2018: £6,047,000).

### 18 Related party transactions

Lease payments totalling £91,400 (2018: £91,241) were made to the pension plan of Ian Curtis and £144,000 (2018: £144,000) were paid to a trust of which certain family members of Ian Curtis are beneficiaries. These were arm's length transactions made in respect of properties used in the trade of HPC plc.

# **HPC plc**

## **Notes to the financial statements (continued)**

### **19 Subsidiary companies**

The company has three subsidiaries, HPC Engineering Limited, HPC Air Compressors Limited and Kaeser Compressors Ltd, all of which are classified dormant and registered in the UK at the same registered address as the company, being 2 Victoria Gardens, Burgess Hill, West Sussex, RH15 9RQ. They have an aggregate share capital and reserves of £103 and an inter-company receivable from HPC plc of £103.

The financial statements contain information about HPC plc as an individual company and do not contain consolidated financial information as the parent of the group. The company is exempt under s400 of the Companies Act 2006 from the requirements to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its ultimate parent undertaking, Lilac Limited. The consolidated financial statements of Lilac Limited can be obtained from Companies House, Crown Way, Cardiff, CF4 3UZ.

### **20 Ultimate parent undertaking and controlling party**

The immediate and ultimate parent undertaking is Lilac Limited, a company incorporated in England and Wales. Lilac Limited is the smallest and largest group to consolidate the company's financial statements. Ian Curtis, a director of the company, is considered to be the ultimate controlling party.