HPC plc

Annual Report

for the year ended 31 August 2020

Registered in England and Wales no: 622352

HPC plc

Annual Report for the year ended 31 August 2020

Contents

HPC plc

Strategic report for the year ended 31 August 2020

HPC plc is a privately owned company, limited by shares, whose business is predominantly the production, distribution and servicing of industrial air compressors and ancillary equipment.

Business review

	2020	2019
	£'000	£'000
Turnover	30,974	41,466
Profit before tax	4,265	4,461

The year on year reduction in turnover reflects the decision communicated last year to withdraw from sub-contract engineering services and the impact of the Covid-19 related lockdowns. HPC plc retains a full precision engineering service capability which is now solely focused on the manufacture of components incorporated into compressed air equipment. The cessation of external precision engineering activities accounted for approximately half of the year's turnover. The remaining reduction in business activities reflects our temporary inability to install compressed air systems and to attend to routine maintenance at customer facilities during the UK's pandemic-related shutdowns between March 2020 and the end of our financial year.

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.

On 24 December 2020, the UK government and the European Union announced a Trade and Cooperation Agreement. The Directors are pleased that the Agreement confirms that there will be no tariffs or quotas on goods traded between the UK and the EU and that Rules of Origin Requirements will continue to be preferential.

In the period between the balance sheet date and the date of this report, business activity levels have largely returned to pre-pandemic levels with delayed projects reactivated. While the outcome remains uncertain, the Directors expect business performance to closely track the recovery in UK manufacturing output and other industrial indicators.

Key performance indicators

	2020	2019
	£'000	£'000
Cash at hand and in bank	6,017	9,462
Cash (outflow)/inflow from operating activities	(2,820)	4,632

HPC plc

Strategic report (continued)

Financial risk management

HPC plc is, to a large degree, naturally hedged in its exposure to foreign currency, although this will be kept under constant review, particularly as the markets react to the UK's post-Brexit trade deals.

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

9 April 2021

HPC plc

Directors' report for the year ended 31 August 2020

Registered in England and Wales no: 622352

The directors present their report and the audited financial statements of the company for the year ended 31 August 2020.

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

No segmental information has been presented as the Directors consider all activities to be in the UK and focused on the generation of industrial compressed air.

Research and development

The company's technical development activities include work required to develop new and enhanced products and processes, normally centred on resolving technical challenges. The work involved advancing HPC plc'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 £3,485,000 (2019: £3,599,000). The directors have recommended the following dividends in respect of the years ended 31 August 2020 and 31 August 2019:

	2020	2019
	£'000	£'000
'A' ordinary dividends paid	**77**	1,943
'B' ordinary dividends paid	**13**	343

After payment of the above dividends, £1,960,000 for the financial year was transferred to the company's reserves (2019: £1,642,000).

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
Liza Katherine Curtis (appointed April 2020)
James Hunter
Jason Morgan
Trevor Stott
Ian Henry Ratcliff (resigned April 2020)

Directors' report (continued)
Registered in England and Wales no: 622352

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

At 31 August 2020, 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 ultimate controlling party of Lilac Limited is the Trustee of the Lilac Trust.

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 and Wales 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

9 April 2021

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 2020 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 2020; 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

We have nothing to report in respect of the following matters in relation to which 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 to the members of HPC plc (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.

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.

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 2020 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.

HPC plc

Independent auditors' report to the members of HPC plc (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, 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. 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.

Independent auditors' report to the members of HPC plc (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

9 April 2021

HPC plc

Statement of comprehensive income for the year ended 31 August 2020

	Note	**2020**	2019
		£'000	£'000
Turnover		**30,977**	41,466
Costs of sales		**(19,247)**	(27,356)
Gross profit		**11,730**	14,110
Distribution costs		**(705)**	(869)
Administrative expenses		**(7,174)**	(8,834)
Other operating income		**365**	-
Operating profit	4	**4,216**	4,407
Net interest receivable and similar income	5	**14**	28
Other financial income		**36**	26
Profit before taxation		**4,266**	4,461
Tax on profit	8	**(781)**	(862)
Profit for the financial year		**3,485**	3,599
Actuarial (loss)/gain on pension scheme	17	**(1,729)**	396
Movement on deferred tax relating to pension scheme		**294**	(67)
Total comprehensive income recognised since last Annual Report		**2,050**	3,928

All of the operations of the company are continuing.

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

HPC plc

Statement of financial position at 31 August 2020

	Note	2020 £'000	2019 £'000
Tangible fixed assets	10	**2,863**	3,473
Current assets			
Stocks	11	**3,749**	4,482
Debtors: amounts falling due within 1 year	12	**13,957**	7,759
Defined benefit pension asset	17	**595**	1,705
Debtors: amounts falling due after more than 1 year	12	**84**	25
Cash at bank and in hand		**6,017**	9,462
		24,402	23,433
Creditors: amounts falling due within one year	13	**(10,380)**	(11,585)
Net current assets		**14,022**	11,848
Total assets less current liabilities		**16,885**	15,321
Creditors: amounts falling due after more than one year	14	**(1,396)**	(1,792)
Net assets		**15,489**	13,529
Capital and reserves			
Called up share capital	16	**100**	100
Profit and loss account		**14,799**	12,839
Capital redemption reserve		**590**	590
Total shareholders' funds		**15,489**	13,529

The financial statements on pages 11 to 27 were approved by the Board of Directors on 9 April 2021 and were signed on its behalf by:

Ian Curtis – Director
HPC plc

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 2018	**100**	**11,197**	**590**	**11,887**
Profit for the year	-	3,599	-	3,599
Other comprehensive income for the year	-	329	-	(329)
Dividends paid	-	(2,286)	-	(2,286)
Balance as at 31 August 2019	**100**	**12,839**	**590**	**13,529**
Profit for the year	-	3,485	-	3,485
Other comprehensive income for the year	-	(1,435)	-	(1,435)
Dividends paid	-	(90)	-	(90)
Balance as at 31 August 2020	**100**	**14,799**	**590**	**15,489**

Statement of cash flows for the year ended 31 August 2020

	Note	**2020 £'000**	2019 £'000
Net cash (outflow)/inflow from operating activities	(a)	**(2,820)**	4,632
Taxation paid		**(583)**	(897)
Net cash (outflow)/inflow generated from operating activities		**(3,403)**	3,735
Cash flow from investing activities			
Purchase of tangible fixed assets		**(124)**	(177)
Sale of tangible fixed assets		**158**	93
Net cash inflow/(outflow) from investing activities		**34**	(84)
Cash flow from financing activities			
Interest received		**16**	28
Interest paid		**(2)**	-
Equity dividends paid		**(90)**	(2,286)
Net cash outflow on financing activities		**(76)**	(2,258)
Net cash (outflow)/inflow before use of liquid resources		**(3,445)**	1,393
(Decrease)/increase in cash		**(3,445)**	1,393

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 2020

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

	2020 £'000	2019 £'000
Operating profit	**4,216**	4,407
Profit on sale of fixed assets	**(77)**	(76)
Depreciation – owned assets	**318**	427
Difference between pension charge and cash contributions	**(583)**	(575)
Decrease/(increase) in stocks	**732**	(49)
Increase in debtors	**(5,958)**	(73)
(Decrease)/increase in creditors	**(1,468)**	571
Net cash inflow from operating activities	**(2,820)**	4,632

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

	2020 £'000	2019 £'000
(Decrease)/increase in cash in the year	**(3,445)**	1,393
Movement in the year	**(3,445)**	1,393
Net funds at 1 September	**8,561**	7,168
Net funds at 31 August	**5,116**	8,561

c) Analysis of net funds

	31 August 2019 £'000	Cash Flow £'000	31 August 2020 £'000
Net cash			
Cash at bank and in hand	9,462	(3,445)	**6,017**
Less: debts falling due after one year	(901)	-	**(901)**
Net funds	8,561	(3,445)	**5,116**

Notes to the financial statements for the year ended 31 August 2020

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 and Wales. The address of its registered office is 2 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 International Accounting Standards in conformity 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.

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 and 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.

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

	2020	2019
	£'000	£'000
Profit on ordinary activities before taxation is stated after charging/(crediting):		
Staff costs - wages and salaries	**4,365**	6,326
- social security costs	**465**	618
- CSC of defined benefit pension (note 17)	**257**	265
- other pension costs	**240**	295
Total staff costs	**5,327**	7,504
Depreciation of owned assets	**318**	427
Operating lease charges – land and buildings	**506**	505
Operating lease charges – other	**146**	121
Profit on sale of fixed assets	**(77)**	(76)
Services provided by the company's auditor		
Fees payable for the audit	**50**	40
Fees payable for other services – tax compliance	7	7

Included within administration expenses is research and development expenditure totalling £20,000 (2019: £73,000).

Other pension costs include £98,000 (2019: £111,000) in respect of company contributions to the defined contribution scheme, £110,000 (2019: £110,000) for regulatory and administrative costs and £52,000 (2019: £64,000) for permanent health insurance costs related to the defined benefit scheme.

Notes to the financial statements (continued)

5 Net interest receivable

	2020	2019
	£'000	£'000
Interest payable	**(2)**	-
Interest receivable	**16**	28
	14	28

6 Directors' emoluments

	2020	2019
	£'000	£'000
Aggregate emoluments	**551**	711

Retirement benefits are accruing to one director (2019: two) under a defined contribution scheme. No directors (2019: none) were members of a defined benefit pension scheme.

The aggregate amount of compensation paid to a director for loss of office was £38,000 (2019: £nil).

	2020	2019
Emoluments payable to the highest paid director are as follows:	**£'000**	£'000
Aggregate emoluments	**215**	263

The highest paid director is not 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**	
	2020	2019
Production	**66**	99
Administration	**67**	88
	133	187

Notes to the financial statements (continued)

8 Tax on profit

	2020 £'000	2019 £'000
Current tax		
United Kingdom tax based on the results for the year:		
UK corporation tax on profits of the year	**648**	687
Adjustments in respect of prior years	**(15)**	32
Total current tax	**633**	719
Deferred tax		
Adjustment in relation to defined benefit pension contributions	**(189)**	103
Origination and reversal of timing differences	**337**	40
Total deferred tax	**148**	143
Tax on profit	**781**	862

Reconciliation of tax charge		
Tax assessed for the year at the standard rate of corporation tax in the UK for the year ended 31 August 2020 of 19 % (2019: 19%).		
The differences are explained below:		
Profit before tax	**4,265**	4,461
Profit multiplied by standard rate of tax in the UK 19 %	**810**	848
Effects of:		
Adjustments in respect of prior years	**(15)**	32
Non-deductible for tax purposes	**(9)**	-
Research and development tax credit	**(5)**	(18)
Total tax charge for the year	**781**	862

Balance sheet	2020 £'000	2019 £'000
Liability for deferred taxation		
Opening deferred tax liability	**354**	144
Comprised of:		
Deferred tax liability at start of year recognised in creditors	**64**	24
Deferred tax liability at start of year recognised in pension liability	**290**	120
	354	144
Movement in the year		
Defined benefit pension adjustment to income statement	**(189)**	103
Defined benefit pension adjustment to OCI	**(337)**	67
Origination and reversal of timing differences	**337**	40
	165	354
Deferred tax liability at end of year recognised in creditors	**64**	64
Deferred tax liability at end of year recognised in pension asset	**101**	290
	165	354

Notes to the financial statements (continued)

9 Dividends

	2020 £'000	2019 £'000
Dividends on equity shares:		
Ordinary dividends paid of £0.90 per share (2019: £22.86)	**90**	2,286

A final dividend for £50,000 for the year ended 31 August 2020 was proposed and paid in September 2020.

10 Tangible assets

	Freehold land and buildings £'000	Long leasehold buildings £'000	Short leasehold buildings £'000	Building improvements £'000	Plant and equipment £'000	Motor vehicles £'000	Total £'000
Cost							
At beginning of year	**806**	**4,100**	**32**	**2,550**	**15,825**	**504**	**23,817**
Additions	-	-	-	36	88	18	142
Disposals	-	-	-	(44)	(8,197)	(265)	(8,506)
At end of year	**806**	**4,100**	**32**	**2,542**	**7,716**	**257**	**15,453**
Depreciation							
At beginning of year	-	3,519	32	1,254	15,035	504	20,344
Charge for the year		54	-	98	166	-	318
Disposals	-	-	-	(6)	(7,819)	(247)	(8,072)
At end of year	**-**	**3,573**	**32**	**1,346**	**7,382**	**257**	**12,590**
Net book value							
At 31 August 2020	**806**	**527**	**-**	**1,196**	**334**	**-**	**2,863**
Net book value							
At 31 August 2019	806	581	-	1,296	790	-	3,473

Notes to the financial statements (continued)

11 Stocks

	2020 £'000	2019 £'000
Raw materials and consumables	**961**	1,539
Work in progress	**299**	443
Finished goods and goods for resale	**2,489**	2,500
	3,749	4,482

12 Debtors

	2020 £'000	2019 £'000
Amounts falling due within one year:		
Trade debtors	**5,232**	7,249
Other debtors	**112**	167
Prepayments and accrued income	**713**	343
Loan to a director	**7,900**	-
	13,957	7,759

Amounts falling due after more than one year represents amounts receivable under finance lease arrangements of £59,000 (2019: £25,000). The short term, non-interest bearing loan to a director was repaid in full on 9 December 2020.

13 Creditors: amounts falling due within one year

	2020 £'000	2019 £'000
Trade creditors	**5,446**	8,019
Other creditors	**13**	84
Deferred tax	**107**	64
Corporation tax	**234**	186
Other taxation and social security	**2,583**	1,313
Accruals and deferred income	**1,997**	1,919
	10,380	11,585

Notes to the financial statements (continued)

14 Creditors: amounts falling due after more than one year

	2020 £'000	2019 £'000
Other creditors	**901**	901
Deferred tax on pension asset	**101**	290
Accruals and deferred income	**394**	601
	1,396	1,792

Other creditors include an unsecured, interest-free, non-instalment loan of £901,000 (2019: £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:

	2020		2019	
	Land & buildings **£'000**	**Other** **£'000**	Land & buildings £'000	Other £'000
Expiring in less than 1 year	**505**	**137**	536	227
Expiring in 2 to 5 years	**1,173**	**94**	1,501	231
Expiring after 5 years	**88**	**-**	264	6
	1,766	**231**	2,301	464

16 Called up share capital

	2020 £'000	2019 £'000
Authorised, allotted, called up and fully paid:		
Equity shares		
85,000 (2019: 85,000) 'A' ordinary shares of £1 each	**85**	85
15,000 (2019: 15,000) 'B' ordinary shares of £1 each	**15**	15
	100	100

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 2020. 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:

Mortality assumptions	**2020**	2019
	Years	Years
Longevity at age 65 for current pensioners		
- Men	**21.2**	21.2
- Women	**23.1**	23.1
Longevity at age 65 for future pensioners		
- Men	**22.3**	22.3
- Women	**24.4**	24.3

Valuation assumptions	**At 31 August 2020**	At 31 August 2019
Discount rate	**1.6%**	1.8%
Retail price inflation	**3.0%**	2.9%
Pensions increases at Limited Price Indexation	**3.0%**	2.9%

Reconciliation of present value of scheme liabilities

	2020	2019
	£'000	£'000
Opening defined benefit obligation	**27,151**	25,748
Current service cost	**257**	265
Interest on obligation	**478**	654
Actuarial losses	**893**	1,963
Benefits paid	**(1,409)**	(1,479)
Closing defined benefit obligation	**27,370**	27,151

Notes to the financial statements (continued)

17 Pension scheme (continued)

Reconciliation of fair value of scheme assets

	2020 £'000	2019 £'000
Opening fair value of plan assets	**28,856**	26,456
Interest income	**514**	680
Actuarial (loss)/gain	**(836)**	2,359
Contributions	**840**	840
Benefits paid	**(1,409)**	(1,479)
Closing fair value of plan assets	**27,965**	28,856

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

	2020 £'000	2019 £'000
Current service cost	**257**	265
Other financial income	**(36)**	(26)
Total operating charge	**221**	239

Analysis of the amount charged to other financial expense

	2020 £'000	2019 £'000
Interest expense on pension scheme liabilities	**478**	654
Interest income on pension scheme assets	**(514)**	(680)
Net income	**(36)**	(26)

Analysis of amount recognised in statement of comprehensive income

	2020 £'000	2019 £'000
Actual (loss)/return interest income recognised in profit	**(836)**	2,359
Experience (losses)/gains arising on the scheme liabilities	**(8)**	302
Changes in assumptions underlying the present value of the scheme	**(885)**	(2,265)
Actuarial (loss)/gain recognised in statement of comprehensive income	**(1,729)**	396

Notes to the financial statements (continued)

17 Pension scheme (continued)

Movement in surplus during the year

	2020	2019
	£'000	£'000
Surplus in the scheme at the beginning of the year	**1,705**	708
Movement in the year:		
Current service cost	**(257)**	(265)
Other financial income	**36**	26
Contributions	**840**	840
Actuarial (loss)/gain	**(1,729)**	396
Surplus in the scheme at the end of the year	**595**	1,705
Related deferred tax liability	**(101)**	(290)
Net pension asset	**494**	1,415

History of experience gains and losses

	2020	2019	2018	2017	2016
	£'000	£'000	£'000	£'000	£'000
Total market value of plan assets	**27,965**	28,856	26,456	25,958	24,303
Present value of scheme liabilities	**27,370**	(27,151)	(25,748)	(25,710)	(27,992)
Surplus/(deficit) in the scheme	**595**	1,705	708	248	(3,689)
Experience adjustments on plan assets	**(836)**	2,359	367	1,917	2,267
Experience adjustments on plan liabilities	**(8)**	302	(161)	35	61
Amounts recognised in statement of comprehensive income	**(885)**	(2,265)	206	1,952	2,328

Actuarial gains and losses

The cumulative amount of actuarial losses recognised in the statement of comprehensive income is £7,380,000 (2019: £5,651,000).

18 Related party transactions

Lease payments in 2020 totalling £91,900, (2019 £91,400) were made to the pension plan of Ian Curtis and £144,000, (2019: £144,000) were made 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. An interest free loan by the Company to Liza Curtis of £910,000 in January 2019 was repaid in full on 24 October 2019. An interest free loan of £7,900,000 to Liza Curtis by HPC plc was repaid in full on 9 December 2020.

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. The ultimate controlling party of Lilac Limited is the Trustee of the Lilac Trust.