

Sun Hydraulics Limited

Financial statements

For the year ended 31 December 2004

Grant Thornton 



Company No. 1914045

Company information

Company registration number

1914045

Registered office

Carmelite
50 Victoria Embankment
London
EC4Y 0DX

Directors

C G Nixon
P Robson

Secretary

Taylor Wessing Secretaries Limited

Auditors

Grant Thornton UK LLP
Chartered Accountants
Registered Auditors
Enterprise House
115 Edmund Street
Birmingham
B3 2HJ

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Report of the directors

The directors present their report and the financial statements of the company for the year ended 31 December 2004.

Principal activities and business review

The principal activity of the company during the year was the manufacture and marketing of hydraulic valves.

Results and dividends

The trading results for the year and the company's financial position at the end of the year are shown in the attached financial statements.

The directors have not recommended a dividend.

Research and development

Research and development expenditure is written off as incurred.

Directors

The directors who served the company during the year were as follows:

C E C Cooke
C G Nixon
P Robson

None of the directors had an interest in the share capital of the company at any time during the year.

C G Nixon is also a director of the company's ultimate parent undertaking Sun Hydraulics Corporation and has interests in the shares of that company. The details of these interests are disclosed within the financial statements of that company.

As at 31 December 2004 P Robson held 4,334 (2003: 25,241) shares and 1,000 (2003: 47,109) options in Sun Hydraulics Corporation.

C E C Cooke retired as a director on 3 August 2004.

Directors' responsibilities

United Kingdom 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 at the end of the year and of the profit or loss for the year then ended. 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, for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

PriceWaterhouseCoopers LLP resigned as auditors on 15 February 2005 and Grant Thornton UK LLP were appointed as auditors in their place.

Grant Thornton UK LLP offer themselves for reappointment as auditors in accordance with section 385 of the Companies Act 1985.

ON BEHALF OF THE BOARD



P Robson
Director

25 April 2005

Report of the independent auditors to the members of Sun Hydraulics Limited

We have audited the financial statements of Sun Hydraulics Limited for the year ended 31 December 2004 which comprise the principal accounting policies, profit and loss account, balance sheet and notes 1 to 19. *These financial statements have been prepared under the accounting policies set out therein.*

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the report of the directors and the financial statements in accordance with United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the report of the directors is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read other information contained in the report of the directors and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of opinion

We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Grant Thornton 

Report of the independent auditors to the members of Sun Hydraulics Limited (continued)

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 31 December 2004 and of its profit for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.

Grant Thornton UK LLP

**GRANT THORNTON UK LLP
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS
BIRMINGHAM**

Date: *25 April 2005*

Principal accounting policies

Basis of accounting

The financial statements have been prepared under the historical cost convention, the accounting policies set out below and in accordance with applicable accounting standards.

Accounts are made up to a convenient week ending date around the 31 December each year. For 2004 trading is shown for the 52 week period ending on 31 December 2004 (2003: 52 week period ended on 28 December 2003).

Cash flow statement

The directors have taken advantage of the exemption in Financial Reporting Standard No 1 (Revised 1996) from including a cash flow statement in the financial statements on the grounds that the company is wholly owned and its parent publishes a consolidated cash flow statement.

Turnover

The turnover shown in the profit and loss account represents amounts invoiced during the year, exclusive of Value Added Tax.

Research and development

Research and development expenditure is written off in the year in which it is incurred.

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Land and Buildings	-	10 and 40 years
Plant & Machinery	-	4, 5 and 10 years
Office Equipment	-	3, 4 and 10 years

Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Pension costs

The company operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the company. The annual contributions payable are charged to the profit and loss account.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax.

Deferred tax is measured using the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

Profit and loss account

	Note	2004 £	2003 £
Turnover	1	8,193,323	7,795,878
Cost of sales		6,170,162	5,889,997
Gross profit		2,023,161	1,905,881
Other operating income and charges	2	1,840,853	2,014,016
Operating profit/(loss)	3	182,308	(108,135)
Interest receivable		15,485	4,514
Interest payable and similar charges	6	—	(1,073)
Profit/(loss) on ordinary activities before taxation		197,793	(104,694)
Tax on profit/(loss) on ordinary activities	7	(4,475)	(32,329)
Retained profit/(loss) for the financial year		202,268	(72,365)
Balance brought forward		5,165,361	5,237,726
Balance carried forward		5,367,629	5,165,361

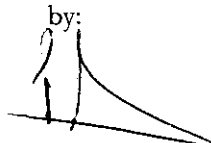
All of the activities of the company are classed as continuing.

The company has no recognised gains or losses other than the results for the year as set out above.

Balance sheet

	Note	2004 £	2003 £
Fixed assets			
Tangible assets	8	<u>4,102,279</u>	<u>4,395,195</u>
Current assets			
Stocks	9	581,927	715,176
Debtors	10	<u>1,337,394</u>	<u>1,391,356</u>
Cash at bank and in hand		<u>1,394,928</u>	<u>760,300</u>
		<u>3,314,249</u>	<u>2,866,832</u>
Creditors: amounts falling due within one year	11	<u>668,322</u>	<u>711,614</u>
Net current assets		<u>2,645,927</u>	<u>2,155,218</u>
Total assets less current liabilities		<u>6,748,206</u>	<u>6,550,413</u>
Provisions for liabilities and charges			
Deferred taxation	12	<u>240,577</u>	<u>245,052</u>
		<u>6,507,629</u>	<u>6,305,361</u>
Capital and reserves			
Called-up equity share capital	14	<u>1,140,000</u>	<u>1,140,000</u>
Profit and loss account		<u>5,367,629</u>	<u>5,165,361</u>
Shareholders' funds	16	<u>6,507,629</u>	<u>6,305,361</u>

These financial statements were approved by the directors on 25/04/05 and are signed on their behalf by:



P Robson
Director

Notes to the financial statements

1 Turnover

The turnover and profit before tax are attributable to the one principal activity of the company.
An analysis of turnover is given below:

	2004 £	2003 £
United Kingdom	2,961,336	2,959,332
Europe	3,962,669	3,656,843
North America and Canada	669,678	596,209
Rest of the World	599,640	583,494
	<u>8,193,323</u>	<u>7,795,878</u>

2 Other operating income and charges

	2004 £	2003 £
Administrative expenses	1,874,252	2,049,285
Other operating income	(33,399)	(35,269)
	<u>1,840,853</u>	<u>2,014,016</u>

3 Operating profit/(loss)

Operating profit/(loss) is stated after charging/(crediting):

	2004 £	2003 £
Research and development expenditure written off	32,400	57,875
Depreciation of owned fixed assets	581,483	622,471
Profit on disposal of fixed assets	(15,911)	(7,050)
Auditors' remuneration:		
Audit fees	13,500	19,231
Net loss on foreign currency translation	<u>96,576</u>	<u>53,000</u>

4 Directors and employees

The average number of staff employed by the company during the financial year amounted to:

	2004 No	2003 No
Number of production staff	58	58
Number of management staff	20	21
	<u>78</u>	<u>79</u>

The aggregate payroll costs of the above were:

	2004 £	2003 £
Wages and salaries	1,757,499	1,774,539
Social security costs	190,354	173,972
Other pension costs	125,266	117,916
	<u>2,073,119</u>	<u>2,066,427</u>

All the pension costs relate to the company's to defined contribution schemes. At the year end, there was an amount of £4,624 (2003: £4,772) relating to outstanding contributions.

5 Directors

Remuneration in respect of directors was as follows:

	2004 £	2003 £
Emoluments receivable	80,771	77,050
Value of company pension contributions to money purchase schemes	11,178	8,640
	<u>91,949</u>	<u>85,690</u>

The number of directors who accrued benefits under company pension schemes was as follows:

	2004 No	2003 No
Money purchase schemes	<u>1</u>	<u>1</u>

6 Interest payable and similar charges

	2004 £	2003 £
Interest payable on bank borrowing	<u>—</u>	<u>1,073</u>

7 Taxation on profit/(loss) on ordinary activities

(a) Analysis of charge/(credit) in the year

	2004 £	2003 £
Current tax:		
UK Corporation tax based on the results for the year at 30% (2003 - 30%)	-	(18,766)
Under provision in prior year	-	42,767
Total current tax	-	24,001
Deferred tax:		
Origination and reversal of timing differences	(4,475)	(56,330)
Tax charge/(credit) on profit/(loss) on ordinary activities	(4,475)	(32,329)

(b) Factors affecting current tax charge

The tax assessed on the profit/(loss) on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 30% (2003 - 30%).

	2004 £	2003 £
Profit/(loss) on ordinary activities before taxation	197,793	(104,694)
Profit/(loss) on ordinary activities multiplied by the standard rate of tax in the UK of 30% (2003: 30%)	59,338	(31,408)
Expenses not deductible for tax purposes and non-taxable income	(29,963)	3,161
Capital allowances for period in excess of depreciation	(40,766)	(25,512)
Unrelieved tax losses	9,027	29,539
Adjustments to tax charge in respect of previous periods	-	42,767
Tax losses carried back	-	4,607
Other timing differences	2,364	847
Total current tax (note 7(a))	-	24,001

8 Tangible fixed assets

	Freehold Property £	Plant & Machinery £	Office equipment £	Total £
Cost				
At 1 January 2004	2,953,379	5,090,985	1,740,378	9,784,742
Additions	7,093	215,463	73,100	295,656
Disposals	—	(55,815)	(258,817)	(314,632)
At 31 December 2004	<u>2,960,472</u>	<u>5,250,633</u>	<u>1,554,661</u>	<u>9,765,766</u>
Depreciation				
At 1 January 2004	740,173	3,069,681	1,579,693	5,389,547
Charge for the year	94,670	426,128	60,685	581,483
On disposals	—	(48,726)	(258,817)	(307,543)
At 31 December 2004	<u>834,843</u>	<u>3,447,083</u>	<u>1,381,561</u>	<u>5,663,487</u>
Net book value				
At 31 December 2004	<u>2,125,629</u>	<u>1,803,550</u>	<u>173,100</u>	<u>4,102,279</u>
At 31 December 2003	<u>2,213,206</u>	<u>2,021,304</u>	<u>160,685</u>	<u>4,395,195</u>

9 Stocks

	2004 £	2003 £
Raw materials	156,384	180,147
Work in progress	17,404	31,583
Finished goods	408,139	503,446
	<u>581,927</u>	<u>715,176</u>

10 Debtors

	2004 £	2003 £
Trade debtors	1,014,652	923,329
Amounts owed by parent undertaking	76,638	63,545
Amounts owed by fellow subsidiary undertakings	1,712	8,493
Corporation tax repayable	30,000	80,018
Other debtors	130,620	225,158
Prepayments and accrued income	83,772	90,813
	<u>1,337,394</u>	<u>1,391,356</u>

11 Creditors: amounts falling due within one year

	2004	2003
	£	£
Trade creditors	178,392	391,817
Amounts owed to parent undertaking	320,505	161,659
Amounts owed to fellow subsidiary undertakings	147	1,338
Other taxation and social security	110,583	83,752
Other creditors	26,083	7,030
Accruals and deferred income	32,612	66,018
	<u>668,322</u>	<u>711,614</u>

12 Deferred taxation

The movement in the deferred taxation provision during the year was:

	2004	2003
	£	£
Provision brought forward	245,052	301,382
Profit and loss account movement arising during the year	(4,475)	(56,330)
Provision carried forward	<u>240,577</u>	<u>245,052</u>

The provision for deferred taxation consists of the tax effect of timing differences in respect of:

	2004	2003
	£	£
Excess of taxation allowances over depreciation on fixed assets	282,741	279,615
Other timing differences	(42,164)	(34,563)
	<u>240,577</u>	<u>245,052</u>

13 Related party transactions

The company has taken advantage of the exemption in FRS 8, 'Related Party Disclosures', not to disclose transactions with group undertakings.

During the year the company disposed of a motor vehicle to P Robson, one of the directors. The vehicle was sold at market value and no balance remains outstanding as at 31 December 2004.

14 Share capital

Authorised share capital:

	2004 £	2003 £
2,000,000 Ordinary shares of £1 each	<u>2,000,000</u>	<u>2,000,000</u>

Allotted, called up and fully paid:

	2004 No	£	2003 No	£
Ordinary shares of £1 each	<u>1,140,000</u>	<u>1,140,000</u>	<u>1,140,000</u>	<u>1,140,000</u>

15 Profit and loss account

	2004 £	2003 £
Balance brought forward	5,165,361	5,237,726
Retained profit/(accumulated loss) for the financial year	<u>202,268</u>	<u>(72,365)</u>
Balance carried forward	<u>5,367,629</u>	<u>5,165,361</u>

16 Reconciliation of movements in shareholders' funds

	2004 £	2003 £
Profit/(Loss) for the financial year	202,268	(72,365)
Opening shareholders' equity funds	<u>6,305,361</u>	<u>6,377,726</u>
Closing shareholders' equity funds	<u>6,507,629</u>	<u>6,305,361</u>

17 Capital commitments

Amounts contracted for but not provided in the financial statements amounted to £271,923 (2003 - £46,253).

18 Contingent liabilities

A loan from Southtrust Bank (an Alabama Banking Corporation) to Sun Hydraulics Corporation is secured by the assets of this company.

19 Ultimate parent company

The company is a wholly owned subsidiary undertaking of Sun Hydraulik Holdings Limited which is registered in England. Sun Hydraulik Holdings Limited has not presented consolidated group accounts under the exemption granted by Section 248 of the Companies Act 1985 as a medium sized group.

The ultimate parent undertaking is Sun Hydraulics Corporation which is the parent undertaking of the smallest and largest group to consolidate these financial statements. It is incorporated in the United States of America. Copies of its group accounts can be obtained from 1500 West University Parkway, Sarasota, Florida 34243, USA.