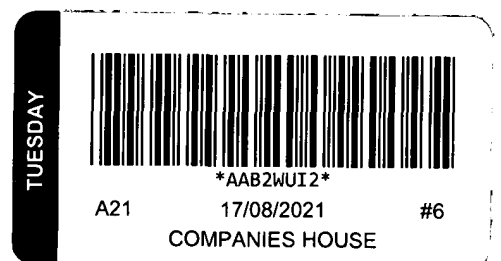


Husco International Partners LLP
Annual report and financial statements
For the year ended 31 December 2020

Partnership Number OC401166



Husco International Partners LLP
Annual report and financial statements
for the year ended 31 December 2020
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Husco International Partners LLP

Members' report for the year ended 31 December 2020

The Management Committee presents its Annual report together with the audited financial statements of Husco International Partners LLP ('the LLP') for the year ended 31 December 2020.

Principal activities of Husco International Partners LLP

The principal activity of the LLP is to manufacture, assemble and sell hydraulic control equipment.

Designated members and Management Committee

The designated members (as defined in the Limited Liability Partnerships Act 2000) of the LLP during the year and up to the date of signing are:

Husco International One Ltd
Husco International Two Ltd

Financing and the subscription and repayment of members' capital

The LLP is financed through a combination of members' capital and bank borrowings.

The total amount of members' capital contributions is proposed to members by the Board of the LLP, having regard to the requirements of the LLP. Individual members' capital contributions will be forfeited if the member leaves the LLP.

Profit allocation and members' drawings

Members are remunerated a share of the profits / losses of the LLP and is as agreed in writing between the LLP and each individual member. The LLP deed was amended on 3rd December 2020 to allow loss sharing to exceed the members' capital contributions in 2018, 2019 and 2020. This amendment does not apply to subsequent financial years.

Each member may draw from the LLP each month amounts as agreed in writing between the LLP and the member or, in the absence of or following the expiry of such agreement, in amounts as may be notified to the member by the Board.

Statement of members' responsibilities

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

Company law, as applied to limited liability partnerships by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008 (the "Regulations"), requires the members to prepare financial statements for each financial year. Under that law the members 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, as applied to limited liability partnerships, the members 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 limited liability partnership and of the profit or loss of the limited liability partnership for that period. In preparing the financial statements, the members are required to:

- select suitable accounting policies and then apply them consistently;
- 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 limited liability partnership will continue in business.

The members are also responsible for safeguarding the assets of the limited liability partnership and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Husco International Partners LLP

Members' report for the year ended 31 December 2020 (Continued)

Statement of members' responsibilities (continued)

The members are responsible for keeping adequate accounting records that are sufficient to show and explain the limited liability partnership's transactions and disclose with reasonable accuracy at any time the financial position of the limited liability partnership and enable them to ensure that the financial statements comply with the Companies Act 2006 as applied to limited liability partnerships by the Regulations.

Provision of information to the LLP's auditors

The members confirm that, so far as they are aware, there is no relevant audit information of which the LLP's auditors are unaware. The members also confirm that they have each taken all the steps that they ought to have taken in order to make themselves aware of any relevant audit information and to establish that the LLP's auditors are aware of that information.

Independent Auditors

PricewaterhouseCoopers LLP resigned as auditors of the company on 15th January 2021. RSM UK Audit LLP became independent auditors on 16th January 2021 and will be proposed for reappointment at the next members meeting.

Principal risks, uncertainties and business review

The managers believe the partnership's principal risks are:

- Loss of key customers
- Lack of demand in key markets (construction/agriculture/materials handling)
- Breakdown of global supply chains
- Business conditions following Brexit

The risk of losing key customers is managed by developing and continuing good relationships with these customers. Furthermore, the partnership actively explores new business opportunities to both increase market share and reduce dependence on key customers.

The members planned for 20% growth in turnover in 2020 (vs 2019), however the coronavirus pandemic caused the short-term shutdowns of the company and its major customers in April/May. Demand dropped by 50% during Q2 but steadily increased as customers returned from their shutdowns. The company, using demand expectation information from major customers and market indices, planned for the remainder of 2020 to be depressed by 30% against the original forecast. Non-critical capital expenditure was deferred until 2021 and headcount was right-sized for the reduction in turnover. By August it had become clear that the demand forecast was significantly understated, and orders returned quickly for the back end of 2020 and beyond.

Global supply chains suffered similarly in 2020; firstly a significant reduction in production arose from the personnel constraints as a result of Covid-19, and secondly a remarkable bounce back in demand led to supplier capacity and delivery constraints. The company continues to work closely with its suppliers to ensure they have appropriate production capacity to support the current order book and subsequent surge demand (+20% from 'normal' levels).

The company took steps to mitigate a hard Brexit back in March 2019 by increasing safety stockholding but unwound its position following the deferral of the Brexit date. During 2020, the company decided not to increase raw material stockholding significantly but built in an additional week of finished goods inventory into the operations plan. The company also spent many hours training for new customs procedures and correcting documentation, both in house and with the EU supply base. At present, complications around Brexit have not materially affected the company's order book or operations, with imports and exports to the EU generally successful.

Financial risk management

The trading company's operations expose it to a variety of financial risks that include debt market price risk, foreign exposure risk, price risk, credit risk, liquidity risk and interest rate risk. Of these, the directors only consider debt market price risk and foreign exposure risk to be material.

Husco International Partners LLP

Members' report for the year ended 31 December 2020 (Continued)

Debt market price risk

The trading company has exposure to debt market price risk via the deficit on its defined benefit pension fund. The directors have accepted the funding levels proposed by the latest actuarial valuation and consider that these are sufficient to bring the deficit down over the medium term.

Foreign exposure risk

The trading company operates in several currencies and its trading cycle gives rise to liabilities in the US dollar and Euro. The company therefore uses spot rate deals along with occasional forward currency deals to manage this risk. Hedge accounting has not been adopted in this respect, and there were no hedging instruments in place at the year end.

The directors believe that fluctuations in foreign exchange rates could be material dependent on the level of volatility. The directors' mandate is to be cost neutral in respect of foreign exchange, thereby ensuring that undue risks are not taken in the pursuit of gains.

Key Performance Indicators

The directors measure the performance of the business by using a number of key performance indicators (KPI's) which are as follows:

	2020	2019
Safety (recordable incidents)	2	4
Quality (Customer Parts Per Million)	1,168	1,614
Customer Service (On time delivery)	48%	78%
Operating performance (Productivity)	49%	61%
EBITDA	£772k	£654k

The pandemic had a significant effect on operating KPIs, however the reductions were mainly as a result of Q3/4 demand increases which saw the company recruit a high number of new starters on the shopfloor. Training requirements and lack of experience drove the lower OTD and productivity %. On the flip side, the members were pleased to see both safety incidents reduce despite the increase in employees, and EBITDA increase despite the reduction in turnover year on year.

Going concern

COVID-19 has had a detrimental impact to the global economy. Turnover for the LLP in Q2 2020 was 50% behind the original plan as customers were forced into lockdown which resulted in temporary shutdowns and reduced sales. Many health and safety measures were put in place to protect the workforce and to ensure all regulations and requirements were met. Following temporary shutdowns, customer demand bounced back at a much quicker rate than anticipated and this has continued into 2021, with customer orders up at record numbers. Along with the ongoing support of the parent company (Husco International, Inc.), it is reasonable to adopt a going concern basis when preparing the financial statements.

Registered Office and Partnership Registration number

The Registered Office of the partnership throughout the year was 6 Rivington Road, Whitehouse Industrial Estate, Runcorn, Cheshire, WA7 3DT. The Partnership Registration number is OC401166.

Approved by the members and signed on behalf by:



G Heller
Husco International One Ltd
Designated Member

Husco International Partners LLP

Independent auditors' report to the members of Husco International Partners LLP

Opinion

We have audited the financial statements of Husco International Partners LLP (the 'limited liability partnership') for the year ended 31 December 2020 which comprise profit and loss account, statement of comprehensive income, balance sheet, statement of changes in members' interests, cash flow statement and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the limited liability partnership's affairs as at 31 December 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006 as applied to limited liability partnerships.

Basis for opinion

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the members' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the limited liability partnership's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The members are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Husco International Partners LLP

Independent auditors' report to the members of Husco International Partners LLP

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 applied to limited liability partnerships requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of members

As explained more fully in the Members' Responsibilities Statement set out on page 2, the members are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the members 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 members are responsible for assessing the limited liability partnership'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 members either intend to liquidate the limited liability partnership or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

The extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

Husco International Partners LLP

Independent auditors' report to the members of Husco International Partners LLP

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the audit engagement team:

- obtained an understanding of the nature of the industry and sector, including the legal and regulatory frameworks that the limited liability partnership operates in and how the limited liability partnership is complying with the legal and regulatory frameworks;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

As a result of these procedures we consider the most significant laws and regulations that have a direct impact on the financial statements are FRS 102, the Companies Act 2006 and the LLP SORP 2018. We performed audit procedures to detect non-compliances which may have a material impact on the financial statements which included reviewing financial statement disclosures and completion of disclosure checklists.

The audit engagement team identified the risk of management override of controls and revenue recognition as the areas where the financial statements were most susceptible to material misstatement due to fraud. Audit procedures performed for management override of controls included but were not limited to testing manual journal entries and other adjustments and evaluating the business rationale in relation to significant, unusual transactions and transactions entered into outside the normal course of business. For revenue recognition procedures included carrying out substantive testing, tests of control and data analytical procedures.

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

Use of our report

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

RSM UK Audit LLP

Michael Fairhurst FCA (Senior Statutory Auditor)
For and on behalf of RSM UK AUDIT LLP, Statutory Auditor
Chartered Accountants
One City Place, Queens Road, Chester, CH1 3BQ
Date: 11 August 2021

Husco International Partners LLP

Profit and loss account for the year ended 31 December 2020

	Note	Year ended 31 December 2020 £	Year ended 31 December 2019 £
Turnover	1	27,998,279	30,584,032
Cost of sales		(25,550,713)	(26,815,247)
Gross profit		2,447,566	3,768,785
Distribution costs		(459,490)	(722,782)
Administrative expenses		(3,478,772)	(3,642,773)
Other Operating Income		495,717	-
Operating loss	2	(994,979)	(596,770)
Interest payable	6	(270,356)	(443,158)
Loss for the financial year available for discretionary division among members		(1,265,335)	(1,039,928)

The loss for the financial year is available for discretionary allocation among members. All amounts relate to continuing activities.

Husco International Partners LLP

Statement of Comprehensive Income for the year ended 31 December 2020

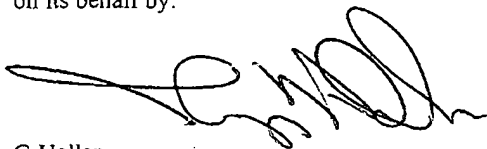
	Note	Year ended 31 December 2020 £	Year ended 31 December 2019 £
Loss for financial year available for discretionary division among members		(1,265,335)	(1,039,928)
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Re-measurement of retirement benefits	13	(865,571)	527,422
Other comprehensive income for the financial year		(865,571)	527,422
Total comprehensive expense for the financial year		(2,130,906)	(512,506)

Husco International Partners LLP

Balance Sheet as at 31 December 2020

	Note	2020 £	2020 £	2019 £	2019 £
Fixed assets					
Tangible assets	7		10,251,637		11,203,384
			10,251,637		11,203,384
Current assets					
Stocks	8	7,975,518		6,777,873	
Debtors	9	6,612,669		5,072,544	
Pension Surplus	13	-		324,589	
Cash at bank and in hand		7,001		6,045	
			14,595,188		12,181,051
Creditors: amounts falling due within one year	10		(15,547,674)		(10,931,739)
Net current assets			(952,486)		1,249,312
Total assets less current liabilities			9,299,151		12,452,696
Borrowings: amounts falling due after one year	11		(13,104,883)		(14,424,978)
Pension deficit	13		(297,456)		-
Net liabilities			(4,103,188)		(1,972,282)
Represented by:					
Loans and other debt due from members					
Other amounts			(6,018,757)		(4,753,422)
Members' other interests					
Members' capital classified as equity			1,915,569		2,781,140
Total Members' interests			(4,103,188)		(1,972,282)

The financial statements on pages 8 to 30 were approved by the members on 11th August 2021 and were signed on its behalf by:



G Heller
Husco International One Ltd
Designated Member

Husco International Partners LLP

Statement of changes in members' interests for the year ended 31 December 2020

	Members capital classified as equity	Other reserves	Total equity	Other amounts classified as debt	Total members interests
	£	£	£	£	£
At 1 January 2019	2,677,474		2,677,474	(4,137,250)	(1,459,776)
Loss for financial year	-	(1,039,928)	(1,039,928)	-	(1,039,928)
Members interests after loss for the year	2,677,474	(1,039,928)	1,637,546	(4,137,250)	(2,499,704)
Reallocation of losses	-	1,039,928	1,039,928	(1,039,928)	-
Restatement of non-allocated expense	-	(423,756)	(423,756)	423,756	-
Re-measurement of retirement benefits	-	527,422	527,422	-	527,422
At 31 December 2019	2,677,474	103,666	2,781,140	(4,753,422)	(1,972,282)

	Members capital classified as equity	Other reserves	Total equity	Other amounts classified as debt	Total members interests
	£	£	£	£	£
At 1 January 2020	2,677,474	103,666	2,781,140	(4,753,422)	(1,972,282)
Loss for financial year	-	(1,265,335)	(1,265,335)	-	(1,265,335)
Members interests after loss for the year	2,677,474	(1,161,669)	1,515,805	(4,753,422)	(3,237,617)
Reallocation of losses	-	1,265,335	1,265,335	(1,265,335)	-
Restatement of non-allocated expense	-	-	-	-	-
Re-measurement of retirement benefits	-	(865,571)	(865,571)	-	(865,571)
At 31 December 2020	2,677,474	(761,905)	1,915,569	(6,018,757)	(4,103,188)

Husco International Partners LLP

Cash flow statement for the year ended 31 December 2020

	Note	Year ended 31 December 2020 £	Year ended 31 December 2019 £
Loss for the year		(1,265,335)	(1,039,928)
Adjustments for:			
Depreciation	2	1,766,507	1,250,702
Proceeds from sale of tangible fixed assets		-	4,374
Pension scheme costs		54,228	83,743
Long term compensation expense	5	116,295	107,185
Bank Loan interest expense		279,356	433,158
Changes in working capital:			
Increase in trade and other receivables		(1,540,125)	(185,445)
(Decrease)/Increase in trade and other payables		3,535,285	(1,693,955)
Increase in stocks		(1,197,645)	(139,873)
Pension contributions paid	13	(297,754)	(335,513)
Net cash outflow from operating activities		1,450,812	(1,515,552)
Purchase of tangible fixed assets	7	(814,760)	(2,931,743)
Net cash outflow from investing activities		(814,760)	(2,931,743)
Interest paid		(298,372)	(417,678)
Cash received from undertakings from group companies		983,371	2,269,202
Net Bank loan received		(1,320,095)	2,596,873
Net cash inflow from financing activities		(635,096)	4,448,397
Net increase/(decrease) in cash and cash equivalents		956	1,102
Cash and cash equivalents at the beginning of the year		6,045	4,943
Cash and cash equivalents at the end of the year		7,001	6,045

Husco International Partners LLP

Cash flow statement for the year ended 31 December 2020 (continued)

Net Debt reconciliation

	Year ended 31 December 2020 £	Year ended 31 December 2019 £
Cash at bank	7,001	6,045
Bank borrowings	(13,104,883)	(14,424,978)
Undertaking from group companies	(189,257)	(2,388,710)
Net debt (before members' debt)	(13,287,139)	(16,807,643)
Loans and other debts due to member		
Other amounts due to members	6,018,757	4,753,422
Net debt	(7,268,382)	(12,054,221)

	Opening balance as at 1 st January 2020	Arising from cash flows	Non-Cash changes	Balance as at 31st December 2020
Cash at bank	6,045	956	-	7,001
Bank borrowings	(14,424,978)	1,320,095	-	(13,104,883)
Undertaking from group companies	(2,388,710)	2,199,455	-	(189,257)
Net debt (before members' debt)	(16,807,643)	3,520,504	-	(13,287,139)

Loans and other debts due to members:

	Opening balance as at 1 st January 2020	Arising from cash flows	Non-Cash changes	Balance as at 31st December 2020
Other amounts due to members	4,753,422	-	1,265,335	6,018,757
Net debt	(12,054,221)	3,520,504	1,265,335	(7,268,382)

Husco International Partners LLP

Accounting policies for the year ended 31 December 2020

1. General Information

Husco International Partners LLP (LLP) provides hydraulic valves to customers in the United Kingdom, Europe, America and Asia.

The company is a limited liability partnership and is incorporated and domiciled in the United Kingdom. The address of its registered office is 6 Rivington Road, Whitehouse Industrial Estate, Runcorn, Cheshire, WA7 3DT.

2. Statement of Compliance

The financial statements of Husco International Partners LLP 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" ("FRS 102") and the Companies Act 2006 as applied to limited liability partnerships by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008.

3. Summary of significant accounting policies

The principle accounting policies applied in the preparation of these group and separate financial statements are set out below. These policies have been consistently applied throughout the period, unless otherwise stated.

3.1 Basis of preparation

These financial statements are prepared on the going concern basis, under the historical cost convention and in accordance with applicable accounting standards in the United Kingdom and the Companies Act as applied to limited liability partnerships by the Limited Liability Partnerships (accounts and Audit) (Application of Companies Act 2006) Regulations 2008. The preparation of the financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the LLP's accounting policies (refer to note 4.1).

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

3.2 Going concern

The LLP meets its day-to-day working capital requirements through a combination of members' capital and bank financing. LLP medium term forecasts continue to show improvement in operating profit, aided by the investment in new and existing manufacturing equipment for future secured business. Medium term forecasts also show the company generating sufficient cash to pay down additional financing required for said manufacturing equipment.

The LLP classified its funding liabilities as long term given the renegotiation (at group level) of the loan agreement until 30th June 2022. This renegotiation will increase the level of available funding to meet the short term working capital needs arising from the new business.

COVID-19 resulted in temporary customer shutdowns and reduced demand in 2020 against the original plan. Whilst the back end of Q1 and all of Q2 were depressed, the order book has bounced back and remained strong for the second half of the year.

Furthermore, the LLP has the ongoing support of the parent company (Husco International, Inc.). As a result, the members have a reasonable expectation that the LLP has adequate resources to continue in operational existence for the foreseeable future. The LLP therefore continues to adopt the going concern basis in preparing its financial statements.

Husco International Partners LLP

Accounting policies for the year ended 31 December 2020 (continued)

3.3 Allocation of profits and drawings

It is expected that members will take their full allocation of profits in the financial year. The final allocation of profits and distribution to members is made by the Board of the LLP. If applicable, unallocated profits, together with any other differences between allocated and accounting profits, are included in other reserves within "Members' interests". Losses can only be allocated to members up to the accumulated balance of their capital contributions unless the members formally waive that right.

3.4 Turnover recognition

Turnover represents the invoiced value of goods and services supplied, net of value added tax and trade discounts. Turnover is recognised when the despatch and invoicing of goods or the rendering of services has been completed as this is when the risks and rewards transfer.

3.5 Foreign currencies

These financial statements are presented in pound sterling.

The LLP's functional and presentation currency is the pound sterling.

Transactions in foreign currencies affecting monetary assets and liabilities are recorded at the rate ruling at the date of the transaction, any gains or losses being taken to the profit and loss account. Balances in foreign currencies are retranslated at the balance sheet date with all differences recognised in the profit and loss account.

3.6 Fixed assets

Tangible fixed assets are stated at historic purchase cost less accumulated depreciation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, less estimated residual value, of each asset evenly over its expected useful life as follows:

Freehold land	- Not depreciated
Long leasehold land and buildings	- over 10 to 40 years
Plant and machinery	- over 1 to 12 years
Fixtures and fittings	- over 3 to 10 years

Assets under construction and freehold land are not depreciated and are stated at cost.

Tangible assets are derecognised on disposal or when no future economic benefits are expected. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised in profit or loss.

3.7 Fixed asset Investments

Investments are shown at cost less provisions for impairment.

3.8 Borrowing costs

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

3.9 Leased assets

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Payments under operating leases are charged to the profit and loss account on a straight-line basis over the period of the lease.

3.10 Stocks

Stocks are stated at the lower of cost and estimated net realisable value on a first-in, first-out (FIFO) basis. Cost includes all directly attributable costs of production. Specific provisions are made for slow moving and obsolete stock.

Husco International Partners LLP

Accounting policies for the year ended 31 December 2020 (continued)

3.11 Pensions and other post-retirement benefits

The LLP operates a defined benefit scheme which requires contributions to be made to a separately administered fund. The assets of the scheme are held separately from those of the LLP.

The defined benefit scheme provides benefits based on the final pensionable salary.

Defined benefit pension scheme assets are measured using closing market values. Pension scheme liabilities are measured using the projected credit method and discounted at the current rate of return on AA-rated corporate bond yields with terms of over 23 years as at 31 December 2020. The fair value of plan assets is measured in accordance with the FRS102 fair value hierarchy.

The expected return on the scheme's assets and the movement during the year in the present value of the scheme's liabilities, arising from the passage of time, are included in interest receivable and payable respectively.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income. These amounts together with the return on plan assets, less amount included in net interest, are disclosed as "re-measurement of retirement benefits".

The LLP also operates a defined contribution scheme. Contributions to this scheme are charged to the profit and loss account in the period they are incurred. The assets of the plan are held separately from the LLP, in independently administered funds.

3.12 Employee benefits

Husco International Partners LLP provide a range of benefits to employees, including annual bonus arrangements and paid holiday arrangements.

The LLP operates a number of bonus plans for employees. An expense is recognised in the profit and loss account when the LLP has a legal or constructive obligation to make payments under the plans as a result of past events and a reliable estimate of the obligation can be made.

The LLP operates cash-settled long-term incentive plans at an operating business level for certain members of management. The plans are based on the business's performance. A liability for the plan is raised on the estimated amount payable in terms of the incentive scheme plans. In year 0, an employee is awarded an amount which vests 5 years later. Each year the liability increases in line with an additional year of service from the employee, so that when the award vests the liability covers the full amount of the award. If the employee is terminated during the 5-year period, the liability is removed.

3.13 Research and development costs

Expenditure on research and development activities is recognised as an expense in the period in which it is incurred.

Husco International Partners LLP

Accounting policies for the year ended 31 December 2020 (continued)

3.14 Financial assets

Basic financial assets, including trade and other receivables. Cash and bank balances and investments in commercial paper, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled; or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party; or (c) despite having retained some significant risks and rewards of ownership, control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

3.15 Financial liabilities

Basic financial liabilities, including trade and other payables, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

3.16 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts, when applicable, are shown within borrowings in current liabilities.

3.17 Provisions and contingencies

Provisions are recognised when the LLP 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.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations might be small.

In particular:

- (i) Restructuring provisions are recognised when the LLP has a detailed, formal plan for the restructuring and has raised a valid expectation in those affected by either starting to implement the plan or announcing its main features to those affected and therefore has a legal or constructive obligation to carry out the restructuring; and
- (ii) Provision is not made for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

Husco International Partners LLP

Accounting policies for the year ended 31 December 2020 (continued)

3.18 Related party transactions

The LLP discloses transactions with related parties which are not wholly owned. Where appropriate, transactions of a similar nature are aggregated unless, in the opinion of the members, separate disclosure is necessary to understand the effect of the transactions on the LLP's financial statements.

4 Critical accounting judgments and estimation uncertainty

Estimates and judgments 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.

4.1 Key accounting estimates and judgements

The LLP makes estimates and judgements concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Provisions

Provision is made for asset retirement obligations, dilapidations and contingencies. These provisions require management's best estimate of the costs that will be incurred based on legislative and contractual requirements. In addition, the timing of the cash flows and the discount rates used to establish net present value of the obligations require management's judgment.

Defined benefit pension scheme

The LLP has obligations to pay pension benefits to certain 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 obligation/surplus in the balance sheet. The assumptions reflect historical experience and current trends.

5 Government Grants

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

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

Husco International Partners LLP

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

1. Turnover

All turnover is generated through the off-highway (primarily construction, agriculture and material handling vehicles) market. An analysis of turnover by geographical market is given below:

	Year ended 31 December 2020 £	Year ended 31 December 2019 £
United Kingdom	17,070,472	18,937,284
Continental Europe	8,785,263	9,788,576
America	1,282,647	1,513,660
Brazil	666,427	-
Asia	193,470	344,512
	27,998,279	30,584,032

2. Operating loss

This is stated after charging / (crediting):

	Year ended 31 December 2020 £	Year ended 31 December 2019 £
Auditors' remuneration – audit fees (LLP and UK Husco entities)	50,000	59,000
Depreciation	1,766,507	1,250,702
Operating lease charges		
- plant and machinery	31,171	30,120
- other	16,650	18,941
Impairment of stocks	25,870	28,946
Exchange (gain)/loss	(252,077)	(152,801)
Government Grants (CJRS)	495,717	-
Research and development costs	1,600,826	1,919,017
Profit on sale of fixed assets	-	(4,374)

Husco International Partners LLP

Notes to the financial statements for the year ended 31 December 2020 (continued)

3. Key management compensation

	Year ended 31 December 2020 £	Year ended 31 December 2019 £
Compensation	507,587	395,695

One (2019: one) key director received remuneration for their service to the LLP during the year and is accruing benefits under a long-term incentive scheme for 2019 and 2020.

4. Staff costs

	Year ended 31 December 2020 £	Year ended 31 December 2019 £
Wages and salaries	6,848,800	6,420,234
Social security costs	560,283	681,264
Other pension costs	351,897	356,649
	7,760,980	7,458,147

	2020 Number	2019 Number
Manufacturing	105	111
Engineering, management and support	79	80
	184	191

Husco International Partners LLP

Notes to the financial statements for the year ended 31 December 2020 (continued)

5. Share based payments

Certain executives and directors are eligible to join the HUSCO International Inc long term compensation plan. In the plan, units (based on the current value of one share) are granted to certain employees of HUSCO International Partners LLP to provide additional incentive to remain in the service of the company, as well as maintain and enhance the long term performance and profitability of the company. The plan is administered by HUSCO International Inc.

Employees selected to participate in the plan receive dollar value awards which are converted to units of participation based on the applicable appraised fair value of the common stock of HUSCO International Inc which is calculated annually by an independent third party. Upon vesting, which typically occurs over five years, participants may redeem the units for cash or elect to defer the receipt of cash for up to an incremental five-year period. Cash compensation is based on the number of vested units and the fair value of the units, with the fair value being equal to the most recent appraised value per share of the common stock of HUSCO International Inc. The payment of cash compensation is generally made in instalments over a three-year period upon vesting. The amounts stated below have been revalued to GBP at the relevant year end rate, as the units themselves are denominated in US\$. Units are always settled in cash.

The following units of the HUSCO International Inc long term compensation plan, which includes Directors' units, were outstanding at the period year end.

	Year ended December 2020 Number of units	Year ended December 2019 Number of units
Outstanding at beginning of period	20.47	18.51
Exercised	(4.96)	(1.84)
Cancelled	(0.55)	(0.50)
Granted	3.75	4.30
Outstanding at end of period	18.71	20.47

The valuation of one share was \$76,144 (2019: \$80,320) revalued at the underlying exchange rate of \$1.3674/£1 (2019: \$1.321/£1). The remaining average contractual life of the units outstanding is 3.5 years (2019: 3.5 years). Total charge for the year was £116,295 (2019: £107,185). The amount included in accruals as at year end £847,265 (2019: £943,819).

Husco International Partners LLP

Notes to the financial statements for the year ended 31 December 2020 (continued)

6. Interest payable

	Note	Year ended 31 December 2020	Year ended 31 December 2019
Expected return on pension scheme assets	13	168,000	204,000
Total interest receivable		168,000	204,000
Interest paid on bank loans		(279,356)	(433,158)
Interest on pension scheme liabilities	13	(159,000)	(214,000)
Total interest payable		(438,356)	(647,158)
Net interest payable		(270,356)	(443,158)

7. Tangible assets

	Freehold and long leasehold land and buildings	Plant And Machinery £	Fixtures and fittings £	Assets under Construction £	Total
Cost					
At 1 January 2020	4,774,343	19,033,897	2,075,326	2,238,269	28,121,835
Additions	-	-	-	814,760	814,760
Disposals	-	-	-	-	-
Assets commissioned	-	2,270,291	283,210	(2,553,501)	-
At 31 December 2020	4,774,343	21,304,188	2,358,536	499,528	28,936,595
Accumulated					
At 1 January 2020	2,292,679	12,878,878	1,746,894	-	16,918,451
Provided during the year	159,254	1,464,311	142,942	-	1,766,507
Disposals	-	-	-	-	-
At 31 December 2020	2,451,933	14,343,189	1,889,836	-	18,684,958
Net book amount					
At 31 December 2020	2,322,410	6,960,999	468,700	499,528	10,251,637
At 31 December 2019	2,481,664	6,155,019	328,432	2,238,269	11,203,384

Freehold land and buildings include £719,023 (2019: £719,023) in respect of freehold land.

Husco International Partners LLP

Notes to the financial statements for the year ended 31 December 2020 (continued)

8. Stocks

	2020 £	2019 £
Raw materials and consumables	7,608,676	6,257,355
Finished Goods	366,842	520,518
	<u>7,975,518</u>	<u>6,777,873</u>

There is no significant difference between the replacement cost of the inventory and its carrying amount.

Inventories are stated after provisions for impairment of £810,301 (2019: £673,849).

9. Debtors

	2020 £	2019 £
Trade debtors	6,423,588	4,734,087
Amounts owed by fellow subsidiaries	54,024	67,263
Prepayments	135,057	271,194
	<u>6,612,669</u>	<u>5,072,544</u>

The amounts owed by fellow subsidiaries are repayable on demand, interest free and unsecured. The trade debtors balance disclosed is stated net of a provision of £3,471 (2019: £16,158).

Husco International Partners LLP

Notes to the financial statements for the year ended 31 December 2020 (continued)

10. Creditors: amounts falling due within one year

	2020 £	2019 £
Trade creditors	5,077,538	4,064,268
Amounts owed to ultimate parent undertaking	7,776,271	2,352,689
Amounts owed to other group companies	232,130	2,510,890
Taxation and social security	338,294	119,951
Cash-settled share-based payment	847,265	943,819
Allocated profit to members	149,938	149,938
Accruals	1,126,238	790,184
Total creditors amount falling due within one year	15,547,674	10,931,739

Amounts owed to the ultimate parent and other group companies are repayable on demand, interest free and unsecured unless otherwise stated.

11. Borrowings: amounts fallings due after one year

	2020 £	2019 £
Bank Borrowings		
GBP Bank Loan & Overdraft	6,194,055	8,735,692
USD Bank Loan & Overdraft	3,647,537	4,593,974
EUR Bank Loan & Overdraft	3,263,291	1,095,312
Total Borrowings	13,104,883	14,424,978

Bank borrowings represent the balance outstanding on the company's Multiple Currency Loan & Overdraft facility with J P Morgan Chase Bank. Interest charges are based on LIBOR plus associated costs ruling at the time of the drawdown. This facility is held under a guarantee issued by the parent company and is repayable on 30th June 2022 unless renegotiated.

Husco International Partners LLP

Notes to the financial statements for the year ended 31 December 2020 (continued)

12. Information in relation to members

	2020	2019
The average number of members during the financial year	2	2

13. Pension scheme

The LLP maintains a pension scheme for its present directors and employees. Benefits are based on final pensionable salary. Normal retirement age is 65 for men and women, but provisions are made for early retirement. The LLP's funding policy is to contribute amounts to the plan to cover service costs to date as recommended by the LLP's independent actuary.

At 31 December 2017, the date of the latest full actuarial valuation for the UK pension plan, the scheme had an actuarial deficit of £1,307,000 on pension plan assets of £7,972,000.

Membership of the occupational defined benefit and contribution schemes has been frozen (with the exception of leavers) and employees wishing to join the Husco International Ltd Pension and Life Assurance Plan join the Defined contribution scheme. This was set up in 2007. Contributions are based on a percentage of salary and are invested in a mixed portfolio of products dependent on member choice.

Total employer contributions in the year were as follows: Defined benefit scheme £297,753 (2019: £335,513), Defined contribution scheme £338,827 (2019: £304,644). Defined benefit scheme contributions are included within the pension deficit in this note.

The projected liabilities at 31 December 2020 have been calculated using the projected unit method by rolling forward the funding liability from the formal actuarial valuation as at 31 December 2017.

Valuation method	At 31 December 2020 % Projected unit	At 31 December 2019 % Projected unit
LPI Pension increases	2.80	2.95
Discount rate	1.30	2.10
Cash commutation	70% HMRC max	70% HMRC max
Inflation assumption	2.85	3.0
Mortality	S3PXA tables, with CMI 2019 projections, subject to a minimum improvement of 1.25% pa	S3PXA tables, with CMI 2019 projections, subject to a minimum improvement of 1.25% pa

Husco International Partners LLP

Notes to the financial statements for the year ended 31 December 2020 (continued)

13. Pension scheme (Continued)

The assets in the Scheme and the expected rate of return were:

	Long term rate of return expected at 31 December 2020 %	Value at 31 December 2020 £	Long term rate of return expected at 31 December 2019 %	Value at 31 December 2019 £
M&G Long term Gilt fund	-	-	-	-
M&G Global Equity Passive	7.0%	3,726,730	7.0%	3,774,905
L&G Matching Core Fix	2.7%	486,060	2.7%	307,866
L&G Matching Core Real	2.7%	1,907,826	2.7%	1,374,396
L&G Multi-Asset Target Return Fund	7.0%	2,685,711	7.0%	2,585,270
Expenses paid, not yet disinvested		(86,865)		(41,083)
Insured Pensioners		814,000		-
Bank account funds		119,469		-
Total market value of assets		9,652,931		8,001,354
Present value of scheme liabilities		(9,950,387)		(7,676,765)
Surplus / (Deficit) in the scheme		(297,456)		324,589

The assets of the Scheme are invested in two policies with M&G Investments, a division of Prudential Pensions Ltd and Legal & General Investment Management.

Husco International Partners LLP

Notes to the financial statements for the year ended 31 December 2020 (continued)

13. Pension scheme (continued)

It was identified in the defined benefits pension scheme last triennial valuation (31 December 2017) that the insurance policies were valued at £1,032,000. However, these have not been included in either the liability nor asset figures as at 31 December 2020. The value shown for the assets is the surrender value as at 31 December 2020. This represents the realisable value of the assets held.

The analysis of the amounts charged to other finance income and the statement of comprehensive income are as follows:

	Year ended 31 December 2020 £	Year ended 31 December 2019 £
Other finance expense		
Net interest on defined benefit liability	9,000	(10,000)
Administration expenses	(63,228)	(73,743)
Total pension cost	(54,228)	(83,743)
Items in Other Comprehensive income (OCI)		
Actuarial gain / (loss) on assets	670,429	928,422
Experience gains on liabilities	-	226,000
Actuarial (loss) / gain from changes in assumptions	(1,536,000)	(627,000)
Total gain recognised in OCI	(865,571)	527,422
	2020 £	2019 £
Movement in assets during the year		
Fair value of scheme assets at the beginning of the year	8,001,354	6,756,312
Interest income	168,000	204,000
Actuarial gain / (loss)	670,429	928,423
Employer contributions	297,754	335,513
Benefits paid	(235,378)	(149,151)
Inclusion of insured pensioners	814,000	-
Administration expenses	(63,228)	(73,743)
Fair value of scheme assets at the end of the year	9,652,931	8,001,354
Actual return on assets	775,201	1,058,679

Husco International Partners LLP

Notes to the financial statements for the year ended 31 December 2020 (continued)

13. Pension scheme (continued)

	2020 £	2019 £
Movement in liabilities during the year		
Scheme liabilities at the beginning of the year	7,676,765	7,210,916
Interest cost	159,000	214,000
Benefit payments	(235,377)	(149,151)
Actuarial loss / (gain)	1,536,000	401,000
Insured Pensioners	814,000	-
Scheme liabilities at the end of the year	9,950,388	7,676,765

14. Related party transactions

The LLP had the following transactions with its ultimate parent company, Husco International Inc, during the year:

	Year ended 31 December 2020 £	Year ended 31 December 2019 £
Net trade purchases	505,807	1,671,250
Commissions	743,032	822,181
Management fees	867,345	747,770

Husco International Partners LLP

Notes to the financial statements for the year ended 31 December 2020(continued)

14. Related party transactions (continued)

Husco International Inc. is incorporated in the State of Delaware, United States of America.

The LLP had the following transactions with the following related entities, Husco Holding GmbH (HHG), Husco China International Ltd. (HCI) (Formerly Husco Kayaba Shanghai), Husco India Pune Ltd. (HIP) and Husco Automotive Holdings LLC (AUTO) during the year: -

Charges / (credits) to operating loss	Year ended 31 December 2020 £	Year ended 31 December 2019 £
Commissions (HHG)	(15,694)	(1,136)
Net trade purchases (HCI)	216	(307,522)
Net trade purchases (HIP)	(159,420)	(1,107,196)
Net trade purchases (AUTO)	19,990	(702,544)

The LLP had the following closing debtors/(creditors) with related entities as follows:

	2020 £	2019 £
Husco International One Limited	(94,628)	(26,667)
Husco International Two Limited	(94,628)	(26,667)
Husco International Holdings Three Limited	-	(319,848)
Husco International Four Limited	-	(2,015,526)
HHG	44,176	26,025
HCI	(40,236)	(9,401)
HIP	(2,637)	41,238
AUTO	9,848	(112,781)

Husco International Partners LLP

Notes to the financial statements for the year ended 31 December 2020 (continued)

15. Financial commitments

The company is subject to a fixed charge on its assets from JP Morgan in respect of the group funding arrangement.

At 31 December, the LLP had total commitments under non-cancellable operating leases for assets other than land and buildings expiring as follows:

	2020 £	2019 £
Within one year	4,410	2,286
Within one and two years	46,253	13,231
Within two and five years	48,693	75,780
Total	99,356	91,297

16. Post balance sheet events

There were no post balance sheet events that would lead to changes in these financial statements.

17. Ultimate parent undertaking and controlling party

The ultimate parent undertaking is Husco International Inc., a corporation in the USA, which is the parent undertaking of the largest and smallest group to consolidate these financial statements. Husco International Inc. is an S-Corp and as such there is no statutory requirement to publicly file financial statements. The board considers Husco International Inc. to be the ultimate controlling party, which is in turn controlled by A A Ramirez, E Van Vugt and A M Ramirez.

18. Profit and loss sharing

Members are remunerated a share of the profits / losses of the LLP and is as agreed in writing between the LLP and each individual member. The LLP deed was amended on 3rd December 2020 to allow profits / losses to be shared equally between members and can exceed their capital contributions (In the original membership deed it was stated that the profit / loss was shared equally between members in line with their capital contributions).