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Fluidpower Group Services UK Limited

Annual Report and Financial Statements

Registered number 00926679

31 December 2021

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Fluidpower Group Services UK Limited

Company Information

Directors	Bryce Brooks Russell Cash Jon Burke (resigned 25 October 2021) Anthony Browne (resigned 15 July 2021)
Registered number	00926679
Registered office	Bollin House Riverside Business Park Wilmslow SK9 1DP
Independent auditor	Grant Thornton UK LLP Chartered Accountants and Statutory Auditors Landmark St Peter's square 1 Oxford Street Manchester M1 4PB

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Contents

Strategic Report

Introduction

The Directors present their Strategic Report of Fluidpower Group Services UK Limited for the year ended 31 December 2021. The Company's principal activity is the design and build of power packs, hydraulic systems and purifiers to an international market.

Prior year adjustment
The financials for last year have been restated to reflect the correct treatment for dividend from subsidiary £1.5m and the related investment balance £1.6m as detailed in Note 19. The restatement has resulted in prior year profit being reduced by £1.6m to £3.8m. Comparatives in this report refer to restated values for last year.

Business review

The Company's sales decreased by 9.9% *(2020: 10.7%)* from £21.7m to £19.6m. This is largely due to the full year impact of the trade and assets of Primary Components being hived out in November 2020. Gross margin has increased to 28.4% *(2020: 26.0%)* as a result of emphasis on achieving consistent and strong margin. The operating loss improved from £2m in FY 20 to £0.9m in FY 21. This is due to the full year impact of cost reduction initiatives which were implemented in FY 20. Last year benefited from dividend income from subsidiaries £6.0m, not repeated in FY 21. Overall, the Company recorded a loss of £1m (2020: profit of £3.8m)

Principal risks and uncertainties

The business navigated the challenges of Covid-19 and supply chain disruptions best as it could. Whilst cost price inflation has been passed on to customers, non-availability or longer lead times of small components meant full units could not be completed and invoiced, and there was considerable overhang of order book at the end of 2021. Onsite operations had persistent disruption with completing and invoicing work in progress. The business has gained traction in 2022 and expects a fuller recovery in due course.

The impact of risks associated with the war in Ukraine have been considered. Having carefully assessed the risks to the Company it is concluded that they are minimal. The Company does not trade directly with Ukraine or Russia. It is possible there will be some limited supply chain disruption and there are some direct inflationary effects, such as fuel and energy costs that we will seek to pass on.

Strategic Report (*Continued*)

Key performance indicators

The Company's management uses a number of key measures to monitor and manage the performance of the business. The performance of individual customers and individual products is reviewed daily in terms of turnover and profitability, with particular focus on service and the comparison of actual performance with prior year and target performance. The key performance indicators at the company level are detailed in the table below:

Key performance indicator	**2021**	**2020**
Sales	19,582,662	21,734,466
Gross margin	5,558,089	5,655,291
EBITDA *	(559,761)	(1,506,389)
Average gross profit per trading day **	22,111	22,712

This Report was approved by the Board and signed on its behalf.

Russell Cash Russell Cash
Director
29 September 2022

*EBITDA is calculated as operating loss of £998,439 add back depreciation for fixed assets of £192,262 and right of use assets of £246,416.

** Average Gross profit per working day is the gross profit for the year of £5,505,659 divided by 249 which is the number of trading days in the period.

Directors' Report

The Directors present the audited Financial Statements of Fluidpower Group Services UK Limited (the "Company") for the year ended 31 December 2021.

Directors

The Directors who held office during the period were as follows:

Anthony Browne (resigned 15 July 2021)
Jon Burke (resigned 25 October 2021)
Bryce Brooks
Russell Cash

Dividends

Dividends paid during the year were £nil *(2020: £1,500,000)*, the Directors do not recommend a final dividend.

Financial instruments

The Company finances its activities with a combination of inter group loans, lease liabilities , cash and short term deposits, as disclosed in notes 17 and 18. Other financial assets and liabilities, such as trade debtors and trade creditors, arise directly from the Company's operating activities. The main currency related risk to the Company comes from purchasing of stocks, sales denominated in USD or Euro, and from transactions with other group foreign operations. The Company purchases foreign currency as necessary on a spot basis. The net exposure at the end of 31 Dec 21 to Euro was a net payable of £261,825 (2020: a net payable of £276,814), and to USD was a net receivable of £13,161 (2020: a net receivable of £31,520).

Environment

The Company recognises the importance of its environmental responsibilities. Initiatives designed to minimise the Company's impact on the environment include the recycling of waste where practical.

Employees

Details of the number of employees and related costs can be found in note 6 to the Financial Statements. The Company is committed to providing staff and management with training designed to develop attitudes and skills and give opportunities for advancement. The Company promotes good communication with regular management meetings and staff briefings. It is the policy of the Company that no employee, or potential employee, is discriminated against on the grounds of disability, age, race, religion, sex, sexual orientation or political belief and to offer the same employment opportunities, training, career development and promotion prospects to all.

Going concern

The financial statements are prepared on a going concern basis. Whilst the accounting policy 2.2 Going concern sets out in detail work done to support the conclusion on Going Concern, the key reasons for this are summarised below::

- As expected in 2021 the Company saw a stronger trading performance following the challenges presented by COVID-19;
- The Company is expecting to substantially improve its trading performance in 2022 and beyond;
- The Company is financed by Group revolving credit facilities totalling £20m (in place until November 2023) and a £5m overdraft facility, repayable on demand, and;
- At the end of 2021 the Group's Net Bank Debt was £15.4 million (£9.6 million within the aggregate banking facilities which include a £5.0 million overdraft facility).

Accounting policy note 2.3 on Going concern sets out in greater detail basis of assessment on going concern.

Directors' Report *(Continued)*

Disclosure of information to the Auditor

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's Auditor is unaware; and each Director has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's Auditor is aware of that information.

Auditor

Pursuant to section 487 of the Companies Act 2006, the Auditor will be deemed to be reappointed and Grant Thornton UK LLP will therefore continue in office.

The directors' responsibilities statement below forms part of the directors' report.

Directors' Responsibilities Statement

The directors are responsible for preparing the Strategic Report and Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law including FRS 101 'Reduced Disclosure Framework').

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 and profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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.

The directors confirm that:

- so far as each director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Directors' Report *(Continued)*

To the best of our knowledge:

- the financial statements, prepared in accordance with United Kingdom Generally Accepted Accounting Practice, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole; and
- the Strategic Report and Directors' Report include a fair review of the development and performance of the business and the position of the company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

By order of the Board

Russell Cash

Russell Cash
Director
29 September 2022

Independent auditor's report to the members of Fluidpower Group Services Limited

Opinion

We have audited the financial statements of Fluidpower Group Services Limited (the 'company') for the year ended 31 December 2021, which comprise Income statement, Statement of Financial Position, Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the company to cease to continue as a going concern.

In our evaluation of the directors' conclusions, we considered the inherent risks associated with the company's business model including effects arising from macro-economic uncertainties such as Brexit and Covid-19, we assessed and challenged the reasonableness of estimates made by the directors and the related disclosures and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period.

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

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

The responsibilities of the directors with respect to going concern are described in the 'Responsibilities of directors for the financial statements' section of this report.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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 such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in 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 in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matter on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

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 requires us to report to you if, in our opinion:

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

Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks applicable to the company, and the industry in which it operates. We determined the Companies Act 2006 and FRS101 to be the most significant laws and regulations to the entity. We enquired of management whether there were any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected fraud. We corroborated the results of our enquiries to supporting documentation such as board minute reviews. From the procedures performed we did not identify any matters relating to non-compliance with laws and regulation or matters in relation to fraud.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur. Audit procedures performed by the engagement team included:
  - evaluation of the processes and controls established to address the risks related to irregularities and fraud;
  - testing journal entries, in particular journal entries relating to management estimates and entries determined to be large or relating to unusual transactions;
  - identifying and testing related party transactions.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it;
- The assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's knowledge of the industry in which the client operates in and understanding of, and practical experience through training and participation with audit engagements of a similar nature;
- In assessing the potential risks of material misstatement, we obtained an understanding of:
  - The company's operations, including the nature of its revenue sources, expected financial statement disclosures and business risks that may result in risk of material misstatement and
  - the company's control environment including the adequacy of procedures for authorisation of transactions.

Use of our report

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

Michael Lowe
Grant Thornton UK LLP
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Manchester
29 September 2022

Income Statement

for the year ended 31 December 2021

	Note	2021	2020 Restated(*)
		£	£
Turnover	3	**19,582,662**	**21,734,466**
Cost of sales		**(14,024,573)**	**(16,079,175)**
Gross profit		**5,558,089**	**5,655,291**
Distribution costs		**(253,112)**	**(365,724)**
Administrative expenses		**(6,412,475)**	**(7,541,437)**
Write off of investment balance		**-**	**(171,728)**
Other operating income	4	**161,489**	**224,187**
Operating (Loss)	5	**(946,009)**	**(2,199,411)**
Dividend income	7	**-**	**6,033,259**
Interest payable and similar cost	8	**(32,643)**	**(40,046)**
Loss/(Profit) on ordinary activities before taxation		**(978,652)**	**3,793,802**
Tax (expense) /credit	9	**(50,498)**	**21,983**
Loss/(Profit) for the financial year		**(1,029,150)**	**3,815,785**

(*)Results *for 2020 are re-stated to correct an error in treatment of dividend income and investment in subsidiaries* as detailed in Note 19.

There were no recognised gains or losses other than the profit in either the current or previous financial year. Accordingly, a Statement of Comprehensive Income has not been prepared.

All turnover and operating profits are derived from continuing operations.

The notes form part of the financial statements and are set out on pages 13 to 31.

Statement of Financial Position

at 31 December 2021

	Note	2021	2020 Restated (*)
		£	£
Fixed assets			
Goodwill	12	**8,259,834**	**8,259,834**
Tangible assets	13	**1,798,320**	**1,877,010**
Right of use assets	22	**794,044**	**896,191**
Investments (2020 Restated*)	11	**3,023,432**	**3,023,432**
Total fixed assets		**13,875,630**	**14,056,467**
Current assets			
Stocks	14	**4,106,940**	**2,932,669**
Trade and other debtors	15	**9,942,606**	**9,328,250**
Cash and cash equivalents	16	**581,226**	**536,552**
Total current assets		**14,630,772**	**12,797,471**
Creditors: amounts falling due within one year			
Trade and other creditors	18	**19,959,678**	**17,221,321**
Lease liability	22	**209,614**	**208,547**
Total creditors: amounts falling due within one year		**20,169,292**	**17,429,868**
Net current liabilities		**(5,538,520)**	**(4,632,397)**
Total assets less current liabilities		**8,337,110**	**9,424,070**
Creditors: amounts falling due after one year			
Lease liability	22	**615,612**	**710,343**
Provisions		**99,998**	**99,998**
Deferred tax liabilities		**80,452**	**29,954**
Total creditors: amounts falling due after one year		**796,062**	**840,295**
Net assets		**7,541,048**	**8,583,775**
Capital and reserves			
Share capital	20	**102**	**102**
Share-based payment reserve		**(15,003)**	**(1,426)**
Capital contribution		**1,108,320**	**1,108,320**
Retained earnings (2020 Restated*)		**6,447,629**	**7,476,779**
Total equity		**7,541,048**	**8,583,775**

(*)Results for 2020 are re-stated to correct an error in treatment of dividend income and investment in subsidiaries as detailed in Note 19.

The Financial Statements on pages 10 to 31 were approved by the Directors on 29 September 2022 and were signed by:

Russell Cash

Russell Cash
Director
Fluidpower Group Services UK Limited
Registered number 00926679
Bollin House
Riverside Business Park
Wilmslow
SK9 1DP

Statement of Changes in Equity

for the year ended 31 December 2021

	Share capital	Share-based payment reserve	Retained earnings	Capital contribution	Total equity
	£	£	£		£
Balance at 1 January 2020	**102**	**(1,426)**	**5,160,994**	**1,108,320**	**6,267,990**
Profit for the year (Restated *)		-	3,815,785	-	3,815,785
Total comprehensive income for the year	-	-	3,815,785	-	3,815,785
Transactions with owners					
Equity dividends paid (note 10)	-	-	(1,500,000)	-	(1,500,000)
Total transactions with owners		-	(1,500,000)	-	(1,500,000)
Balance at 31 December 2020 (Restated *)	**102**	**(1,426)**	**7,476,779**	**1,108,320**	**8,583,775**
Loss for the year	-	-	(1,029,150)	-	(1,029,150)
Total comprehensive expense for the year	-	-	(1,029,150)	-	(1,029,150)
Transactions with owners					
Share based payment charge	-	(13,577)	-	-	(13,577)
Total transactions with owners	-	(13,577)	-	-	(13,577)
Balance at 31 December 2021	**102**	**(15,003)**	**6,447,629**	**1,108,320**	**7,541,048**

(*)Results for 2020 are re-stated to correct an error in treatment of dividend income and investment in subsidiaries as detailed in Note 19.

The notes form part of the financial statements and are set out on pages 13 to 31.

Notes to the Financial Statements

for the year ended 31 December 2021

1 Authorisation of Financial Statements and Statement of Compliance with FRS 101

The Financial Statements of Fluidpower Group Services UK Limited (the "Company") for the year ended 31 December 2021 were authorised for issue by the board of directors on 29 September 2022 and the Statement of Financial Position was signed on the Board's behalf by Russell Cash. Fluidpower Group Services UK Limited is incorporated and domiciled in England and Wales.

These Financial Statements were prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" and the Companies Act 2006. The Company's Financial Statements are presented in Sterling.

These Financial Statements have been prepared on a going concern basis and on the historical cost basis except for the modification to a fair value basis for certain financial instruments as specified in the accounting policies below.

The principal accounting policies adopted by the Company are set out in note 2.

2 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's Financial Statements.

2.1 Basis of preparation

The accounting policies which follow set out those policies which apply in preparing the Financial Statements for the year ended 31 December 2021.

The Company has taken advantage of the following disclosure exemptions under FRS 101:

(a) the requirements of paragraphs 45(b) and 46-52 of IFRS 2 "Share-based Payments", as the share-based payment arrangement concerns the instruments of another group entity;

(b) the requirement in paragraph 38 of IAS 1 "Presentation of Financial Statements" to present comparative information in respect of:
(i) paragraph 79(a)(iv) of IAS 1;
(ii) paragraph 73(e) of IAS 16 "Property, Plant and Equipment";

(c) the requirements of paragraphs 10(d) and 134-136 of IAS 1 "Presentation of Financial Statements" and the requirements of IAS 7 "Statement of Cash Flows";

(d) the requirements of paragraphs 30 and 31 of IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors";

(e) disclosure requirements of IFRS 7 'Financial Instruments'.

(f) the requirements in IAS 24 "Related Party Disclosures" to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member;

Notes to the Financial Statements
for the year ended 31 December 2021

2 Accounting policies (continued)

2.2 New standards, amendments, and new relevant disclosure requirements
There are no amendments to accounting standards that are effective for the year ended 31 December 2021 that have a material impact on the company's financial statements.

2.3 Going Concern

The Company's financial statements are prepared on a going concern basis which the Directors believe to be appropriate for the following reasons:

- The Company generated a net loss of £1,029,150 for the year (2020 restated net profit: £3,815,785)
- The Company is expected to generate positive cash flows on its own account for the foreseeable future.
- The Group has banking facilities, with £20m aggregate RCF facilities in place until November 2023. In addition, the Group also has access to £5m overdraft facilities. In the normal course of administering these facilities, we will be entering discussions with lenders to refinance or extend the term in the near future and no issues are expected.

The Directors have prepared forecasts covering at least 12 months beyond the date of this report. In any set of forecasts there are inherent risks in the assumptions, and these have been tested under a range of scenarios to establish the ability of the business to discharge its liabilities in the ordinary course of business. If future trading significantly underperformed expectations, management believe there would be the ability to mitigate the impact of this by careful management of the Group's cost base and working capital and this would assist in seeking to ensure all bank covenants were complied with and the business continued to operate well within its banking facilities.

The directors have received assurance that the group's ultimate parent company, Flowtech Fluidpower Plc, will continue to support the company as required for the foreseeable future.

The Directors have, after making enquiries and considering the uncertainties described above, have reasonable expectation that the Group and the Company has adequate resources to continue in operational existence for the foreseeable future. For these reasons, they continue to adopt the going concern basis in preparing these financial statements.

2.4 Significant judgements, key assumptions and estimates

In the process of applying the Company's accounting policies, which are described above, management has made judgements and estimations about the future that may have a significant effect on the amounts recognised in the financial statements. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Significant management judgements

There were no significant judgements during this accounting period.

The following estimates have the most significant effect on the financial statements.

Notes to the Financial Statements

for the year ended 31 December 2021

2 Accounting policies (continued)

Provision for impairment of stocks

The carrying value of stock as at 31 December 2021 is £4,106,940 *(2020: £2,932,669)* and included a provision against the stock of £298,090 *(2020: £248,510)*. The provision for impairment of stock is based on sales trends for all stock and management's estimation of recoverability. Where appropriate, the provision contains an uplift to reflect the slower rate of sale due to the impact of COVID-19. There is a risk that the provision will not match the stocks that ultimately prove to be impaired.

Impairment of goodwill

The carrying value of goodwill must be assessed for impairment annually. This requires an estimation of the value in use of the operating cash generating units (CGUs) to which goodwill is allocated. Value in use is dependent on estimations of future cash flows from the CGU and use of an appropriate discount rate to discount those cash flows to their present value. The carrying value of goodwill as at 31 December 2021 is £8,259,834 (2020: £8,259,834). Refer to note 12 for further detail. There was no impairment charge during the year.

2.5 Financial instruments

Non-derivative financial instruments comprise trade and other debtors, cash and cash equivalents, loans and borrowings, and trade and other creditors.

Trade and other debtors

Trade and other receivables are recognised initially at the transaction price in accordance with IFRS 15.
The Company makes use of a simplified approach in accounting for trade losses and other receivables as well as contract assets and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cashflows, considering the potential for default at any point during the life of the financial instrument. In calculating, the Company uses its historical experience, external indicators and forward looking information to calculate the expected credit losses using a provision matrix.

Trade and other creditors

Trade and other creditors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Notes to the Financial Statements

for the year ended 31 December 2021

2 Accounting policies (continued)

Cash and cash equivalents

Cash and cash equivalents comprise cash, bank balances net of bank overdrafts and short-term deposits held with banks by the Company, and are subject to insignificant risk of changes in value.

Derecognition of financial liabilities

The Company derecognises a financial liability (or its part) from the statement of financial position when, and only when it is extinguished, i.e. when the obligation specified in the contract is discharged, cancelled or expires. The difference between the carrying amount of a financial liability (or a part of a financial liability) extinguished and the consideration paid, including any non cash assets transferred or liabilities assumed, is recognised in profit or loss.

2.6 Investments

All investments are initially recorded at cost, being the fair value of consideration given including the acquisition costs associated with the investment. Subsequently they are reviewed for impairment on an individual basis if events or changes in circumstances indicate the carrying value may not be fully recoverable.

2.7 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of a tangible fixed asset have different useful lives, they are accounted for as separate items.

Depreciation is charged to the income statement over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. The estimated useful lives and deprecation methods are as follows:

Property	50 years straight line
Plant, machinery and equipment	5 - 20 years straight line
Motor vehicles	4 - 5 years reducing balance
Computer Equipment	3 - 5 years straight line
Right-of-use property	2 to 12 years – straight line
Right-of-use motor vehicles	2 to 5 years – straight line

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

Notes to the Financial Statements

for the year ended 31 December 2021

2 Accounting policies (continued)

2.8 Stocks

Stocks are stated at the lower of cost and net realisable value, after making allowance for obsolete and slow moving items. Cost is based on the first-in first-out principle and includes expenditure incurred in acquiring the stocks and other costs in bringing them to their existing location and condition.

2.9 Employee benefits - defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the Company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement in the periods during which services are rendered by employees.

2.10 Revenue

Revenue from sale of goods is the total amount receivable by the Company for goods supplied, excluding VAT and discounts. Revenue from the sale of goods is recognised in the income statement at a point in time at the point of despatch, when the control passes to the customer. Revenue for sale of goods includes income from delivery charged to customers, excluding VAT. Delivery income is recognised at the same time as the corresponding revenue for sale of goods and is a single combined performance obligation.

Service revenues comprise installation and maintenance work at client sites. Revenue from on-site work that is standard and on-going (as opposed to bespoke) is recognised when the performance obligations under the work order are completed and acknowledged by the customer, in accordance with the terms and conditions of the work order. Very occasionally, where routine maintenance work is agreed as part of a contract covering a year or number of years, the performance obligation is considered to be discharged evenly through the term of the contract and revenue is recognised over the life of the contract.

Warranties offered to customers are usually on the back of warranties offered by suppliers of spare parts and involve negligible costs to the business. Revenue form bespoke longer-term services is accounted for in accordance with the policy on Revenue from contracts described below.

Most contracts received by the Group involve shipping goods without customisation or further service, and revenue from these is recognised at a point in time as described above. Some contracts involve providing an end to end solution, involving design, customisation, installation and commissioning that can last several months or years. The goods and services under such contracts represent a single combined performance obligation over which control is transferred over a period. The combined product is unique to each customer (has no alternative use) and the Group has an enforceable right to payment for the work completed to date. The contracts contain milestones and the Company is entitled to stage payments on completion of the milestones. Revenue is measured on an output basis, as the transfer of economic benefit depends on the value transferred relative to the remaining goods and services promised under the contract.

Notes to the Financial Statements

for the year ended 31 December 2021

2 *Accounting policies (continued)*

2.11 *Cost of sales*

Cost of sales includes all costs incurred up to the point of despatch including the operating expenses of the warehouse.

2.12 *Other income*

Coronavirus job retention scheme (Furlough income), which is a grant awarded by the government is recognised in other income over the periods in which the companies recognise the related costs for which the grant is intended to compensate.

2.13 *Taxation*

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the Income Statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

2.14 *Provisions*

A provision is recognised in the Statement of Financial Position when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

2.15 *Foreign currency translation*

Functional and presentation currency

The Financial Statements are presented in sterling, which is also the functional currency of the parent company.

Notes to the financial statements

for the year ended 31 December 2021

2 Accounting policies (continued)

Foreign currency transactions and balances

Transactions in foreign currencies are translated to the functional currency of the Company at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement.

Currency risks

The main currency related risk to the Company comes from forward purchasing of stock and settling transactions in foreign currencies. The Company does not enter into forward currency contracts.

2.16 Equity and reserves

Equity comprises the following:

- "Share capital" represents the nominal value of equity shares
- "Share-based payment reserve" represents the provision made to date for share-based payments as detailed in note 21.2
- "Capital contribution" represents the reserve arising on the issue of shares in the ultimate parent, issued in partial consideration for acquisitions made by the Company
- "Retained earnings" represent retained earnings of the Company

All transactions with owners of the parent are recorded separately within equity.

Dividend distributions payable to equity shareholders are included in other liabilities when the dividends have been approved in general meeting prior to the reporting date.

2.17 Right of use assets and liabilities

The Company leases various offices, warehouses, and motor vehicles. Rental contracts are typically made for fixed periods of up to 12 years but may have extension options as described in (ii) below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Notes to the Financial Statements

for the year ended 31 December 2021

2 Accounting policies (continued)

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture. There are no leases with variable lease payments

Extension and termination options
Extension and termination options are included in a number of property and equipment leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

Judgements in determining the lease term
In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). No potential future cash outflows have been included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

Residual value guarantees
To optimise lease costs during the contract period, the Group sometimes provides residual value guarantees in relation to equipment leases.

Estimating the amount payable under residual value guarantees
The Group initially estimates and recognises amounts expected to be payable under residual value guarantees as part of the lease liability. The amounts are reviewed, and adjusted if appropriate, at the end of each reporting period. At the end of reporting period, there is no liability on account of residual value guarantees.

Notes to the Financial Statements

for the year ended 31 December 2020

3 Turnover

All turnover is attributable to the one principal activity of the company.

	2021	2020
	£	£
United Kingdom	**19,326,504**	21,041,068
Europe	**250,269**	641,456
Rest of World	**5,889**	51,942
Total turnover	**19,582,662**	21,734,466

	2021	2020
	£	£
Sale of goods	**16,794,082**	17,739,466
Contracts	**899,629**	1,687,000
Services	**1,888,951**	2,308,000
Total turnover	**19,582,662**	21,734,466

4 Other operating income

These funds relate to amounts received in relation to the government Coronavirus Job Retention Scheme.

5 Operating loss

This is stated after charging/(crediting):

	2021	2020
	£	£
Depreciation of property, plant and equipment held under right of use assets	**246,416**	260,575
(Gain)/loss on impairment of trade debtors	**(50,961)**	8,237
(Gain)/loss on foreign currency transactions	**(23,484)**	40,209
Loss on reversal of/Impairment loss on stock	**64,878**	173,138
Loss on sale of plant and equipment	**1,646**	861
Depreciation of owned tangible fixed assets	**192,458**	260,719
Repairs and maintenance expenditure on tangible fixed assets	**9,617**	13,338

Auditor's remuneration		
Audit fees are borne by another group undertaking	**39,560**	-

In 2021 Audit fees are recharged in full from another group undertaking. Services are provided by other professional advisors as deemed appropriate by the management team.

6 Staff costs and Directors' remuneration

	2021	2020
	£	£
Staff costs		
Wages and salaries	**3,785,131**	4,904,458
Social security costs	**397,609**	466,224
Contributions to defined contribution pension plans	**155,954**	179,439
Total staff costs	**4,338,694**	5,550,121

Notes to the Financial Statements

for the year ended 31 December 2021

6 Staff costs and Directors' remuneration (continued)

The average number of employees of the Company (including Directors) during the year was:

	2021 Number	2020 Number
Assembly and distribution	**81**	74
Administration	**51**	90
Total number	**132**	164

	2021 £	2020 £
Directors' remuneration		
Remuneration	**82,500**	147,885
Contributions to defined contribution pension plans	**1,575**	54,329
Benefits in kind	**5,385**	17,349
Total Directors' remuneration	**89,460**	219,563

	2021 £	2020 £
Highest paid Directors' remuneration		
Remuneration	**82,500**	99,791
Contributions to defined contribution pension plans	**1,575**	2,663
Benefits in kind	**5,385**	7,471
Total highest paid Directors' remuneration	**89,460**	109,925

7 Dividend income

	2021 £	2020 Restated £
Dividend received	-	6,033,259
Total	-	6,033,259

(*)Results for 2020 are re-stated to correct an error in treatment of dividend income and investment in subsidiaries as detailed in Note 19.

8 Interest payable and similar cost

	2021 £	2020 £
Interest payable and similar cost		
Lease interest under IFRS 16	**32,643**	40,046
Total interest payable and similar cost	**32,643**	40,046

Notes to the Financial Statements
for the year ended 31 December 2021

9 Taxation

a) Tax charged in the income statement

	2021	2020
	£	£
Current tax		
UK corporation tax payable	-	(9,933)
Adjustment in respect of prior year	-	(16,529)
Total current tax (credit)/expense	-	(26,462)
Deferred tax		
Origination and reversal of temporary differences	**87,078**	(12,087)
Adjustments in respect of prior year	**(34,990)**	12,630
Change in tax rate	**(1,590)**	3,936
Total deferred tax	**50,498**	4,479
Total tax expense/(credit)	**50,498**	(21,983)

b) Reconciliation of the total tax charge

The tax assessed in the income statement for the year differs from the standard rate of corporation tax in the UK of 19% *(2020:* 19%*)*. The differences are reconciled below:

	2021	2020 Restated(*)
	£	£
(Loss)/ profit before taxation	**(978,652)**	3,793,802
Tax calculated at the UK standard rate of corporation tax of 19% (2020: 19.00%)	**(185,944)**	720,822
Timing differences not recognised in the computation	-	2,519
Impact of change in tax rate	**19,309**	3,935
Amounts not taxable	-	(1,146,320)
Amounts not deductible	**5,630**	36,634
Other adjustments	**1,802**	(7,188)
Adjustments in respect of prior periods	-	(16,529)
Adjustments in respect of prior periods – deferred tax	**(34,990)**	12,630
Group relief	**244,691**	371,514
Total tax expense/(credit)	**50,498**	(21,983)

c) Change in corporation tax rate

An increase in the UK corporation tax rate from 19% to 25% (effective 1 April 2023) was substantively enacted on 24 May 2021, and the UK deferred tax position for the group as at 31 December 2021 has been calculated based on this rate.

(*)Results for 2020 are re-stated to correct an error in treatment of dividend income and investment in subsidiaries as detailed in Note 19.

Notes to the Financial Statements

for the year ended 31 December 2021

9 Taxation (continued)

d) Deferred tax

	Assets		Liabilities	
	2021	2020	**2021**	2020
	£	£	**£**	£
Tangible fixed assets	**-**	-	**(84,097)**	(57,377)
Provisions	**3,645**	27,421	**-**	-
Total	**3,645**	27,421	**(84,097)**	(57,377)
Net deferred tax liability	**(80,452)**	(29,956)		

e) Movement in deferred tax during the year ended 31 December 2021

	1 January 2021	Recognised in income	**31 December 2021**
	£	£	**£**
Tangible fixed assets	**(57,376)**	(26,721)	**(84,097)**
Provisions	**27,421**	(23,776)	**3,645**
	(29,955)	(50,497)	**(80,452)**

10 Dividends paid and proposed

	2021	**2020**
	£	**£**
Declared and paid during the year		
Equity dividends of £nil per A ordinary share *(2020: £15,000)*	**-**	**1,500,000**
Total dividends paid	**-**	**1,500,000**

No dividends are proposed at the end of the period.

11 Fixed asset investments

	Investments in subsidiary undertakings
	£
Cost and net book value at 1 January 2021 Restated	3,023,432
Cost and net book value at 31 December 2021	**3,023,432**

(*)Results for 2020 are re-stated to correct an error in treatment of dividend income and investment in subsidiaries as detailed in Note 19.

Details of subsidiary undertakings

	Principal activity	Holding	Country of incorporation
The Hydraulic Group BV	Holding Company	100%	Netherlands

Notes to the Financial Statements

for the year ended 31 December 2021

11 Fixed asset investments (continued)

For the subsidiary named above the class of shares held are ordinary shares and is a direct subsidiary of the Company. The registered office address is Bollin House, Bollin Walk, Wilmslow, UK SK9 1DP.

12 Intangible fixed assets

The movements in the net carrying value of goodwill are as follows:

	2021 £
Carrying amount at 31 December 2021	**8,259,834**
Carrying amount at 31 December 2020	**8,259,834**

Goodwill has been reviewed for impairment at the profit centre level, each of which represents a set of independent cash flows. These cash generating units represent the lowest level within the Company at which goodwill is monitored for internal management purposes. The carrying amount of goodwill comprises 4 profit centres, namely, HTL £2,490,820, Group HES £2,385,496, Primary £3,056 and Orange County £3,380,462.

During the year ended 31 December 2021, the Company determined that there was no impairment of any of its cash generating units containing goodwill.

The carrying amount of each cash-generating unit was determined by calculating the sum of the carrying amounts of all intangible assets (including goodwill) and tangible assets attributable to that unit.

The recoverable amounts (i.e. higher of value in use and fair value less costs of disposal) of those units are determined on the basis of value in use calculations. Management prepared forecasts for each cash-generating unit for periods of two years (extending to 3 years where appropriate), all of which have been approved by the Board.

Cash flows beyond the period forecast by management for each CGU were extrapolated at an expected long-term growth rate of 2%. This growth rate does not exceed the long-term average growth rate for the market in which the Group operates

Key assumptions used in value in use calculations

The Group has determined that the recoverable amount calculations are most sensitive to changes in the following assumptions: revenue growth rates, gross margins and discount rates.

Year 1 forecasts are based on CGU specific assumptions taking account of market conditions and expectations in the year ahead. Beyond year 1, sensible CGU specific growth rates have been applied, in some cases, reflecting a recovery from COVID-19 supressed trading performance. Growth rates in all terminal periods are restricted to 2%.

The gross margins used in the calculations reflect the average gross margins of each cash-generating unit in the period immediately before the forecast period, adjusted for expected future changes in selling prices and direct costs due to market conditions.

The pre-tax discount rates used in the calculations ranged from 9.1% to 10.8% (2020 – 9.9% to 11.9%). This discount rate has been derived from the Group's weighted average post-tax cost of capital. Based on work by an external expert, engaged by management.

Notes to the Financial Statements

for the year ended 31 December 2021

12 Intangible fixed assets (continued)

Sensitivity to changes in key assumptions

Orange County: The recoverable amount of the Orange County CGU is estimated to exceed the carrying value of the CGU at 31 December 2021 by £1,260,000. The recoverable amount of this CGU would equal its carrying value if the key assumptions were to change as follows:

	From	To
EBITDA margin	13.9%	10.7%
Discount rate	10.8%	13.6%

Orange County is a relatively difficult business to predict as can be seen by the differing historical trading performances. The business is currently sat on a strong order book, and we believe the key assumptions upon which the impairment calculations are based are appropriate.

13 Tangible fixed assets

	Property £	Plant, machinery & equipment £	Motor vehicles £	Total £
Cost				
At 1 January 2021	**1,462,638**	**2,851,051**	**578,609**	**4,892,298**
Additions	82,166	33,071	-	115,237
Disposals	-	(718)	(84,838)	(85,556)
At 31 December 2021	**1,544,804**	**2,883,404**	**493,771**	**4,921,979**
Depreciation				
At 1 January 2021	**418,153**	**2,257,621**	**339,514**	**3,015,288**
Charge for year	33,434	79,324	79,700	192,458
Disposals	-	(718)	(87,598)	(88,316)
Other movement	-	4,229	-	4,229
At 31 December 2021	**451,587**	**2,340,456**	**331,616**	**3,123,659**
Net book value				
At 31 December 2021	**1,093,217**	**542,948**	**162,155**	**1,798,320**
At 31 December 2020	**1,044,485**	**593,430**	**239,095**	**1,877,010**

Notes to the Financial Statements

for the year ended 31 December 2021

14 Stocks

	2021 £	2020 £
Finished goods and goods for resale	**4,106,940**	2,932,669

Changes in finished goods recognised as cost of sales in the year amounted to £10,818,918 *(2020: £11,150,366)*. The provision made against stock at the reporting date was £298,090 *(2020: £248,510)*. Estimates are made of the net realisable value of stock at the year end. In some circumstances, stock is subsequently sold in excess of the net realisable value determined, which results in a reversal of the write down.

15 Trade and other debtors

	2021 £	2020 £
Current:		
Trade debtors	**3,663,605**	3,107,718
Prepayments and accrued income	**272,464**	221,045
Amounts owed by group undertakings	**5,931,974**	5,983,641
Corporation tax recoverable	**74,563**	15,847
Total trade and other debtors	**9,942,606**	9,328,250

Amounts owed by group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

16 Cash and cash equivalents

	2021 £	2020 £
Cash and cash equivalents:		
Sterling	**560,712**	514,511
Euro	**3,737**	3,439
Dollar	**16,777**	18,602
Total cash and cash equivalents	**581,226**	536,552

17 Interest bearing loans and borrowings

This note provides information about the contractual terms of the Company's interest-bearing loans and borrowings, which are measured at amortised cost. For more information about the Company's exposure to interest rate and foreign currency risk, see note 19.

	2021 £	2020 £
Non-current liabilities		
Lease liabilities	**615,612**	710,343
Total current liabilities	**615,612**	710,343
Current liabilities:		
Lease liabilities	**209,614**	208,547
Total current liabilities	**209,614**	208,547
Total interest bearing loans and borrowings	**825,226**	918,890

Notes to the Financial Statements
for the year ended 31 December 2021

18 Trade and other creditors

	2021	2020
	£	£
Current:		
Trade creditors	**2,428,748**	1,722,194
Social security and other taxes	**758,850**	597,637
Accruals and deferred income	**490,528**	896,865
Amounts owed to other group undertakings	**16,281,552**	14,004,625
Total trade and other creditors	**19,959,678**	17,221,321

Amounts due to group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

19 Prior period adjustment

The trade and assets of the HES business was hived up to the Company from its subsidiary, Group HES Limited at the end of Dec 2017, leaving a residual investment in Group HES Limited of £1,681,109. The investment balance was to be settled by dividend to be received from the subsidiary.

The affairs of the subsidiary were wound up and a final dividend of £1,509,381 was received by the Company during FY 2020. The dividend income so received was erroneously taken to the income statement as interest receivable and similar income when it should have reduced the investment balance held in the subsidiary since the substance of the transaction was a return on capital. The impact of the error was to overstate profit for the year and investment balance by £1,509,381. There was no impact on the retained earnings as at 1 January 2020.

The error is corrected in this year by reversing the dividend income taken to retained earnings and crediting the same to investment balance. The remaining value of investment in Group HES, £ 171,728, is written off to the income statement as separately disclosed item.

Income Statement
for the year ended 31 December 2020

	Restated 2020	Original 2020	Variance
	£	£	£
Turnover	21,734,466	21,734,466	-
Cost of Sales	(16,079,175)	(16,079,175)	-
Gross Profit	5,655,291	5,655,291	-
Distribution costs	(365,724)	(365,724)	-
Administrative expenses	(7,541,437)	(7,541,437)	-
Write off of investment balance	(171,728)	-	(171,728)
Other operating income	224,187	224,187	-
Operating (Loss)	(2,199,411)	(2,027,683)	(1,71,728)
Dividend income	6,033,259	7,542,640	(1,509,381)
Interest payable and similar cost	(40,046)	(40,046)	-
Loss/(Profit) on ordinary activities before taxation	3,793,802	5,474,911	(1,681,109)
Tax (expense) /credit	21,983	21,983	-
Loss/(Profit) for the financial year	3,815,785	5,496,894	(1,681,109)

Statement of Financial Position (Extracts)
at 31 December 2020

	Restated 2020 £	Original 2020 £	Variance £
Fixed assets			
Goodwill	8,259,834	8,259,834	-
Tangible assets	1,877,010	1,877,010	-
Right of use assets	896,191	896,191	-
Investments	3,023,432	4,704,541	(1,681,109)
Total fixed assets	**14,056,467**	**15,737,576**	**(1,681,109)**

	Restated 2020 £	Original 2020 £	Variance £
Capital and reserves			
Share capital	102	102	-
Share-based payment reserve	(1,426)	(1,426)	-
Capital contribution	1,108,320	1,108,320	-
Retained earnings	7,476,779	9,157,888	(1,681,109)
Total equity	**8,583,775**	**10,264,884**	**(1,681,109)**

20 Issued and called up share capital

	Number	£
Allotted, issued and fully paid ordinary shares of £1 each		
At 1 January 2021	102	102
Issued during the year		
At 31 December 2021	**102**	**102**

21 Employee benefits

21.1 Pension plans

The Company operates a defined contribution plan. The total expense relating to this plan in each year was £155,954 *(2020: £159,307).*

Notes to the Financial Statements

for the year ended 31 December 2021

22 Right of use assets and liabilities

In 2021 the application of IFRS 16 has led to the elimination of lease payments of £266,658 (2020: £288,163) and the introduction of additional depreciation of £246,416 (2020: £260,575) and finance costs of £32,643 (2020: £39,136).

Right of Use assets

	Land and property	Motor Vehicles	Total
	£	£	£
Cost			
Balance at 1 January 2021	1,072,324	255,333	1,327,657
Additions	-	155,400	155,400
Disposals	-	(56,519)	(56,519)
Balance at 31 December 2021	1,072,324	354,214	1,426,538
Depreciation and amortisation			
Balance at 1 January 2021	299,530	131,936	431,466
Depreciation charge for the year	154,482	91,934	246,416
Disposals	-	(45,388)	(45,388)
Balance at 31 December 2021	454,012	178,482	632,494
Net book value			
At 31 December 2021	**618,312**	**175,732**	**794,044**
At 31 December 2020	772,794	123,397	896,191

Right of Use Lease liabilities

	2021	2020
	£	£
At 1 January	**918,890**	1,184,932
Repayment	**(271,389)**	(288,163)
Interest	**32,643**	39,136
Acquisition	**155,401**	77,135
Disposals	**(10,319)**	(21,850)
Other lease movement	**-**	(72,300)
At 31 December	**825,226**	918,890

The statement of profit or loss shows the following amounts relating to leases:	**2021 £'000**	2020 £'000
Depreciation of charge of right-of-use assets		
– Land and buildings	**154,482**	168,190
– Other	**91,934**	92,385
Interest expenses (included in finance cost)	**32,643**	39,136

Notes to the Financial Statements

for the year ended 31 December 2021

23 Capital commitments

The Company had no capital commitments at 31 December 2021 or 31 December 2020.

24 Contingent liabilities

The Company is party to an intra-group funding arrangement with the other group companies, and could be required to provide funds to enable them to meet their financial obligations. The total amount outstanding at the year end was £19,926,668 (2020: £20,000,000) comprising a bank loan and revolving credit facility which are secured by legal charges over certain of the Group's assets including trade receivables and stock.

25 Subsequent events

There are no material adjusting or non-adjusting events subsequent to the reporting date.

26 Related party transactions

During the year the Company entered into transactions, in the ordinary course of business, with related parties, all of whom are fellow wholly owned subsidiaries of the ultimate group undertaking. The Company has taken advantage of the exemption under paragraph 8(k) of FRS 101 not to disclose these transactions.

27 Ultimate group undertaking

The Company is a subsidiary undertaking of Fluidpower MIP Limited, incorporated in the United Kingdom. The ultimate parent company is Flowtech Fluidpower plc, incorporated in the United Kingdom.

The consolidated accounts of this company are available to the public and may be obtained from Bollin House, Riverside Business Park, Wilmslow, SK9 1DP.