

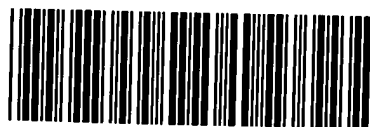
Fluidpower Group UK Limited

Annual Report and Financial Statements

Registered number 01672034

31 December 2022

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Fluidpower Group UK Limited

Company Information

Directors	Bryce Brooks (resigned 30 April 2023) Russell Cash Michael England (appointed 12 April 2023)
Registered number	01672034
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

Contents

Strategic Report	1
Directors' Report	4
Directors' Responsibility Statement	6
Independent auditor's report to the members of Fluidpower Group UK Limited	7
Income Statement	11
Statement of Financial Position	12
Statement of Changes in Equity	133
Notes to the Financial Statements	144

Strategic Report

Introduction

The Directors' present their Strategic Report of Fluidpower Group UK Limited (the "Company") for the year ended 31 December 2022. The Company's principal activity is the purchasing and distribution of fluid power components, principally within the UK and Ireland.

Business review

The Company's sales increased by 1.7% from the previous year to £73.2m (2021: £72.0m). The Flowtech business undertook a wide ranging digital transformation during the year with the launch of new website and the unified Flowtech brand formed by the merger of Flowtechnology UK, Indequip, Hydravalve and Beaumanor brands. The transformation carried short term risk to customer experience. This, and the softening in the market caused growth to slow. Gross profit margin for the year was 35.0% (2021: 35.2%), reflecting the ability of the business to pass on cost inflation to customers.

The business took further steps to reduce operating costs and consolidated the Leicester warehouse operations into Skelmersdale. Restructuring costs of £1.0m reflect the impact of this exercise and comprises cost of redundancy, warehouse lease impairment and stock write offs.

The operating profit before exceptional restructuring costs was £6.6m (2021: £6.4m). The Directors believe this represents a very satisfactory performance given the challenging trading conditions experienced during the year.

Net profit generated during 2022 was £4.6m (2021: £5.6m). Dividends of £1.4m (2021: £3.0m) were paid to the parent company.

As a result, the net assets of the company increased to £56.1m (2021 restated: £53.0m).

Principal risks and uncertainties

The business had built up substantial stock in response to supply chain constraints, and with the easing of conditions, the stock levels have started to be unwound gradually. The company has managed the impact of costs inflation by ensuring back-to-back increases in selling prices. The business is reviewing customer experience following the digital transformation and making improvements to the website as well as how the rest of the organisation supports this journey. These measures should help position the business favourably with respect to risks in supply chain and economic outlook.

Section 172 Statement

In accordance with Section 172 of the Companies Act 2006 (S172) the Directors, collectively and individually, confirm that during the year ended 31 December 2022, they have acted in good faith and have upheld their 'duty to promote the success of the Company' to the benefit of its members, with consideration to its wider stakeholders.

The Board seeks to ensure there is always an appropriate balance between the impact any key decision may have on the short as well as the medium to long-term. It is also recognised that certain decisions may be more aligned to the interests of one category of stakeholder over another and this is always taken account of when debating options and ultimately making decisions.

Our sustainable business model makes the procurement and supply of fluid power supply products efficient for customers and suppliers, thereby supporting our ambition of delivering growth and return for our Shareholder.

Strategic Report (*Continued*)

The Board is committed to effective engagement with all stakeholders and takes steps to ensure this mindset is filtered down throughout the business. Whilst our business model delegates certain day to day operational decisions to local management, we encourage all involved to adopt the same behaviours by which the PLC Board is measured in their day to day activities. We have introduced a “balanced scorecard” approach to our reward scheme which is designed to flex reward based on a number of behaviours, including those captured within the spirit of the s172 legislation.

Section 172 describes a diverse range of stakeholders whose interests are said to feature in the ‘success of the Company’; comments on each of these areas are provided below:

Colleagues

The investment we have made in the Engagement Surveys across our business, combined with the training and career development plans we have put in place for a number of employees, demonstrates our commitment to ensuring our workplaces provide a positive environment for our staff

Of course, on occasion, decisions necessarily have to be taken which adversely impact on employees; in such scenarios we are careful to provide the necessary degree of compassion with the processes we adopt without removing the focus to deliver the commercial benefit for the greater good of the business. Through our flexible approach, our Group employees are driven towards finding solutions which create efficiencies for ourselves but, more importantly, our customers. This requires extensive knowledge, creativity and collaboration with customers and suppliers. The Board always aims to act fairly towards employees, further information outlining our approach to recruitment, development and diversity can be found earlier in this section, and

Key matters are discussed at Management Board meetings at which our HR Director has presented, and new reporting framework for all HR related matters has been instigated.

Suppliers

We work closely with our key suppliers, developing relationships in partnership with them. Suppliers are keen for their products, to be distributed via a professional distribution channel and for their brand/reputation to be protected when doing so. We regularly meet with key suppliers to develop these relationships, largely with a view to accomplishing a collective ambition of achieving the best possible experience for our vast network of customers.

Issues associated with supplier relations are discussed, when necessary, at Board meetings and our Management Board includes representation from the Supply Chain and Logistics side of our business. On occasions presentations are delivered to the Board to provide up to date commentary and to enable any issues to be discussed, debated and, if necessary, addressed.

Customers

The interests of our customers are at the heart of our business all of the time. We aim to be the most cost-effective provider of a quality service to all customers, ensuring we deliver end-to-end fluid power solutions from a single source.

Strategic Report (*Continued*)

War in Ukraine

The impact of risks associated with the war in Ukraine have been reviewed and the position remains largely unchanged from prior year. The risks to the Company is minimal as the Company does not trade directly with Ukraine or Russia. Any supply chain disruption has been successfully managed and some direct inflationary effects have been recouped to the extent feasible, through pricing strategy.

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	2022	2021
Sales	73,238,499	72,025,658
Gross margin	25,598,196	25,323,167
Underlying operating profit +	6,574,529	6,423,422
EBITDA *	7,460,253	8,048,456
Average gross profit per working day **	103,636	101,699
DSO days ++	62 days	77 days

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



Russell Cash
Director
28 June 2023

*EBITDA is calculated as operating profit of £5,574,477 add back depreciation for fixed assets of £904,855 and right of use assets of £887,126, as well as amortisation of £93,795.

+ Underlying operating profit is calculated as operating profit of £5,574,477 add back restructuring costs of £1,000,052.

** Average Gross profit per working day is the gross profit for the year of £25,598,196 divided by 247 which is the number of trading days in the period.

++ DSO days is calculated by taking the revenue for the quarter of the year of £17,738,742, uplifted for VAT at 20%, divided by the number of trading days in the period which is 92 to give daily revenue of £231,375. The year end trade debtors of 14,303,159 is then divided by the daily revenue of £231,375 to give 62.

Directors' Report

The Directors present the audited Financial Statements of Fluidpower Group UK Limited (the "Company") for the year ended 31 December 2022.

Directors

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

Bryce Brooks (resigned 30 April 2023)
Mike England (appointed 12 April 2023)
Russell Cash

Dividends

Dividends paid during the period were £1,400,000 (2021: £3,000,000), the Directors do not recommend a final dividend.

Financial instruments

The Company finances its activities with a combination of inter group loans, cash and short term deposits, as disclosed in notes 18 and 19. 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 22 to Euro was a net repayable of £2,528,509 (2021: a net payable of £2,359,353), and to USD was a net payable of £130,202 (2021: a net payable of £841).

Environment

The Company recognises the importance of its environmental responsibilities and operates in accordance with policies agreed through a Health and Safety Committee and a Staff Consultative Committee. 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 and consultation with regular management meetings, staff briefings, and a Staff Consultative Committee to involve staff in the progress of the Company and its future.

The Company operates various performance bonus schemes related to KPI achievements within in the operational functions. The Company believes that these schemes demonstrate the Company's commitment to involving employees in performance.

It is the policy of the Company that no employee, or potential employee, is not 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.

As explained in Strategic Report, as part of the statement under Section 172 of the Companies Act 2006, the Directors have had regard to the welfare of the employees in their decision making process, ensuring at all times the business engages with its employees in a spirit of partnership and compassion, without removing the focus on the commercial benefit for the greater good for the overall business and its stakeholders.

Directors' Report *(Continued)*

Subsequent events

On 22 February 2023 the Group's £20m revolving credit facility provided by Barclays Bank was renewed for a further 3 year period with an option to extend for a further year. Aside from this in the opinion of the Board, there have been no significant events occurring since the balance sheet date.

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:

- The Company continued to trade profitably achieving operating profit of £5,574,477 (2021: £6,404,265);
- The Company is expecting to continue to trade profitably in 2023 and beyond;
- The Group is financed by revolving credit facilities totalling £20m and a £5m overdraft facility, repayable on demand. These facilities were renewed in February 2023 with the terms of the revolving credit facility extended until February 2026, with an option to extend by a further year to February 2027;
- At the end of 2022 the Group's net debt was £16.0 million (£9.1 million within the aggregate banking facilities which include a £5.0 million overdraft facility).

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.

Engagement with other stakeholders

The company works closely with its key suppliers, developing relationships in partnership with them. Regular meetings with these key suppliers are held, largely with a view to accomplishing a collective ambition of achieving the best possible experience for our vast network of customers. The company aims to be the most cost-effective provider of quality service to all customers, ensuring we deliver end-to-end fluid power solutions from a single source.

The directors' responsibilities statement forms part of the directors' report and is on page 6.

Directors' Responsibility 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.

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
Director
28 June 2023

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

Opinion

We have audited the financial statements of Fluidpower Group UK Limited (the 'company') for the year ended 31 December 2022, 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 2022 and of its profit 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 the war in Ukraine and current economic uncertainties, 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.

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.

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.

Our responsibilities and the responsibilities of the directors 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 directors are responsible for the other information contained within the annual report. 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.

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 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.

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

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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. 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:
 - Identifying and assessing the design and implementation of controls management has in place to prevent and detect fraud;;
 - Challenging assumptions and judgements made by management in the group's and the parent company's significant accounting estimates; and
 - Identifying and testing journal entries with a focus on those with unusual account combinations relating to revenue
- 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 engagement partner's 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 with, audit engagements of a similar nature and complexity through appropriate training and participation;
- We communicated relevant laws and regulations and potential fraud risks to all engagement team members, including internal specialists, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

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.

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

Michael Lowe
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Manchester
28 June 2023

Income Statement

for the year ended 31 December 2022

	Note	2022 £	2021 £
Turnover	3	73,238,499	72,025,658
Cost of sales		(47,640,303)	(46,702,491)
Gross profit		25,598,196	25,323,167
Distribution costs		(3,127,519)	(3,522,213)
Administrative expenses		(15,896,148)	(15,412,928)
Restructuring	23	(1,000,052)	(19,157)
Other operating income	4	-	35,396
Operating profit	5	5,574,477	6,404,265
Interest payable and similar cost	7	(161,771)	(165,322)
Profit on ordinary activities before taxation		5,412,706	6,238,943
Tax expense	8	(837,431)	(610,045)
Profit for the financial year		4,575,275	5,628,898

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 statement and are set out on pages 14 to 35.

Statement of Financial Position

at 31 December 2022

	Note	2022 £	2021 (restated) £
Fixed assets			
Goodwill	10	16,995,589	16,995,589
Intangible assets	11	879,221	761,031
Tangible assets	12	4,938,422	4,674,338
Right of use assets	22	4,144,020	4,593,369
Investments	13	-	234,284
Total fixed assets		26,957,252	27,258,611
Current assets			
Stocks	14	21,950,078	22,076,420
Trade and other debtors	15	56,280,556	65,181,552
Cash and cash equivalents	16	3,137,116	2,686,963
Total current assets		81,367,750	89,944,935
Creditors: amounts falling due within one year			
Trade and other creditors	18	45,538,136	58,393,101
Lease liability	22	997,051	783,333
Tax payable		1,013,149	233,737
Total creditors: amounts falling due within one year		47,548,336	59,410,171
Net current assets		33,819,414	30,534,764
Total assets less current liabilities		60,776,666	57,793,375
Creditors: amounts falling due after one year			
Lease liability	22	3,745,832	3,973,355
Provisions for liabilities	19	152,836	131,152
Deferred tax liabilities	8	737,372	684,163
Total creditors: amounts falling due after one year		4,636,040	4,788,670
Net assets		56,140,626	53,004,705
Capital and reserves			
Share capital	20	112	112
Share premium account		9,974	9,974
Share-based payment reserve		(43,184)	(3,830)
Capital contribution		752,127	752,127
Retained earnings		55,421,597	52,246,322
Total equity		56,140,626	53,004,705

Registered Company Number 01672034. The notes form part of the financial statements and are set out on pages 14 to 34.

The Financial Statements on pages 11 to 35 were approved by the Directors on 28 June 2023 and were signed by:

Russell Cash
Director
Bollin House
Riverside Business Park
Wilmslow
England SK9 1DP



Statement of Changes in Equity

for the year ended 31 December 2022

	Share capital £	Share premium £	Share-based payment reserve £	Capital contribution £	Retained earnings £	Total Equity £
Balance at 1 January 2021	112	9,974	8,097	752,127	49,617,424	50,387,734
Profit for the year	-	-	-	-	5,628,898	5,628,898
Total comprehensive income for the year	-	-	-	-	5,628,898	5,628,898
Transactions with owners						
Share-based payment charge	-	-	(11,927)	-	-	(11,927)
Equity dividends paid (note 9)	-	-	-	-	(3,000,000)	(3,000,000)
Total transactions with owners	-	-	(11,927)	-	(3,000,000)	(3,011,927)
Balance at 1 January 2022	112	9,974	(3,830)	752,127	52,246,322	53,004,705
Profit for the year	-	-	-	-	4,575,275	4,575,275
Total comprehensive income for the year	-	-	-	-	4,575,275	4,575,275
Transactions with owners						
Share-based payment charge	-	-	(39,354)	-	-	(39,354)
Equity dividends paid (note 9)	-	-	-	-	(1,400,000)	(1,400,000)
Total transactions with owners	-	-	(39,354)	-	(1,400,000)	(1,439,354)
Balance at 31 December 2022	112	9,974	(43,184)	752,127	55,421,597	56,140,626

The notes form part of the financial statements and are set out on pages 14 to 35.

Notes to the Financial Statements

for the year ended 31 December 2022

1 Authorisation of financial statements and statement of compliance with FRS 101

The Financial Statements of Fluidpower Group UK Limited (the "Company") for the year ended 31 December 2022 were authorised for issue by the Board of Directors on 28 June 2023 and the Statement of Financial Position was signed on the Board's behalf by Russell Cash. Fluidpower Group 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 2022.

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 Payment", 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) the requirements of paragraph 17 of 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 as a party to the transaction is wholly owned by such a member;
- (f) disclosure requirements of IFRS 7 'Financial Instruments'.

Notes to the financial statements

for the year ended 31 December 2022

2 Accounting policies (continued)

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in the consolidated financial statements.

2.2 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 continued to trade profitably achieving operating profit of £5,574,477 (2021: £6,404,265).

The Company is expected to generate positive cash flows on its own account for the foreseeable future.

The Company participates in the Group's centralised treasury arrangements and so shares banking arrangements with its parent and fellow subsidiaries. The Group has recently renewed its banking facilities, with £20m aggregate RCF facilities in place until February 2026. In addition, the Group also has access to £5m overdraft facilities.

The Directors have prepared forecasts covering the period to December 2024. Naturally, these forecasts include a number of key assumptions notably relating, inter alia, to revenue, margins, costs and working capital balances. The Directors believe the business will continue to operate within its agreed banking facilities and comply with all banking covenants. As such the Group therefore continues to adopt the going concern basis in preparing its financial statements.

The company is dependant for its working capital on funds generated by other group companies. The Company's ultimate parent Flowtech Fluidpower plc has provided the Company with confirmed support for at least 12 months from the date of approval of these Financial Statements; it will continue to make available such funds and guarantees as are needed by the Company. This should enable the Company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment.

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.

2.3 New standards, amendments, and new relevant disclosure requirements

There are no amendments to accounting standards that are effective for the year ended 31 December 2022 that have a material impact on the company's financial statements.

Notes to the financial statements

for the year ended 31 December 2022

2 Accounting policies (continued)

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.

Significant management estimates

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

Provision for impairment of stock

The carrying value of stocks as at 31 December 2022 is £21,950,078 (2021: £22,076,420) and included a provision against the stocks of £1,099,043 (2021: £935,559). During the year £106,435 (2021: £233,199) of the provision was utilised. The provision for impairment of stocks is based on sales trends for all stock and management's estimation of recoverability. 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 cash generating units (CGUs) to which goodwill is allocated. Value in use is dependent on estimations of future cash flows from the CGUs 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 2022 is £16,995,589 (2021: £16,995,589). Refer to note 11 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.

Notes to the financial statements

for the year ended 31 December 2022

2 Accounting policies (continued)

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.

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.

Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses. Any change in their value through impairment or reversal of impairment is recognised in profit or loss. Discounting is omitted where the effect is immaterial.

Derivative financial instruments

Derivative financial instruments held by the Company include forward foreign currency contracts and are recognised at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss.

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.

Notes to the financial statements

for the year ended 31 December 2022

2 Accounting policies (continued)

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 depreciation methods are as follows:

Plant, machinery and equipment	3 to 20 years – straight line
Motor vehicles	4 to 5 years – straight line
Right-of-use property	2 to 11 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.

2.8 Intangible assets

Goodwill

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is not amortised but is tested annually for impairment, or earlier if there is an indication of impairment.

Acquired intangibles

Intangible assets acquired as part of trade and asset business purchases are capitalised at fair value at the date of acquisition. Following the initial recognition, the carrying amount of an intangible is its cost less accumulated amortisation and any accumulated impairment losses. Amortisation is charged on the basis of the estimated useful life on a straight-line basis and the expense is taken to the income statement and included in administration expenses.

Impairment reviews are undertaken annually and whenever the Directors consider that there has been a potential indication of impairment.

Notes to the financial statements

for the year ended 31 December 2022

2 Accounting policies (continued)

Website development costs

Website development costs that generate economic benefits beyond one year are capitalised as intangible assets and amortised on a straight-line basis over a period of up to six years, or by exception over a longer period where it is expected that economic benefits are attributable over a longer period. The remaining useful life of assets is reviewed on an annual basis, or where a change in the business or other circumstances would trigger a revision. Assets under development are not amortised but instead tested for impairment annually. The amortisation expense on intangible assets is recognised in the income statement within Administration costs. Software as a service ("SAAS") contract costs are expensed to the Income Statement over the life of the contract. For SAAS and cloud based technology, integration costs are capitalised only when they represent enhancements to Group's existing assets. Capitalised development expenditure is stated at cost less accumulated amortisation and less accumulated impairment losses. Capitalised costs include employee costs incurred on project management, system architecture development and testing.

2.9 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/weighted average principle and includes expenditure incurred in acquiring the stocks and other costs in bringing them to their existing location and condition.

2.10 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.

2.11 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.

2.12 Cost of sales

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

Notes to the financial statements

for the year ended 31 December 2022

2 Accounting policies (continued)

2.13 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.

2.14 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.

2.15 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.

2.16 Foreign currency translation

Functional and presentation currency

The financial statements are presented in Sterling, which is also the functional currency of the ultimate parent company.

Foreign currency transactions and balances

Transactions in foreign currencies are translated to the functional currencies 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.

Notes to the financial statements

for the year ended 31 December 2022

2 Accounting policies (continued)

Currency risks

The main currency related risk to the Company comes from forward purchasing of stocks, settling transactions in foreign currencies and from group foreign operations. This risk is managed by using natural hedges, and where appropriate, entering forward currency contracts. The Company does not apply hedge accounting in respect of these forward currency contracts, the changes in fair value have been recognised in the income statement.

2.17 Equity, reserves and dividend payments

Equity comprises the following:

"Share capital" represents the nominal value of equity shares

"Share premium" represents the excess over nominal value of consideration received for equity share net of expenses of the share issue, less any costs associated with the issuing of shares

"Share-based payment reserve" represents the provision made to date for share based payments

"Retained earnings" represent retained earnings of the Company

"Capital contribution" represents shares issued in parent 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.

2.18 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 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.

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.

Notes to the financial statements

for the year ended 31 December 2022

2 Accounting policies (continued)

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 company. 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 company and not by the respective lessor.

Critical 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 company sometimes provides residual value guarantees in relation to equipment leases.

Estimating the amount payable under residual value guarantees

The company 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.

2.19 Restructuring costs

Restructuring costs are those significant items which in management's judgement should be highlighted to enable a full understanding of the Group's financial performance. These costs relate to restructuring activities of an operational nature following acquisition of business units and other restructuring activities in established businesses.

Notes to the financial statements

for the year ended 31 December 2022

3 Turnover

All turnover is derived from the sale of goods and delivery income.

	2022 £	2021 £
United Kingdom	68,010,208	66,800,018
Europe	2,555,537	2,674,648
Rest of World	2,672,754	2,550,992
Total turnover	73,238,499	72,025,658

	2022 £	2021 £
Sale of goods	72,238,638	70,977,263
Delivery income	999,861	1,048,395
Total turnover	73,238,499	72,025,658

4 Other operating income

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

5 Operating profit

This is stated after charging/(crediting):

	2022 £	2021 £
(Gain) from reversal of/Impairment loss on trade debtors	(76,380)	(22,331)
Loss on foreign currency transactions	14,648	26,368
Impairment (gain)/loss on stock	269,919	(46,152)
Depreciation of property, plant and equipment held under right of use assets (Note 22)	887,126	833,695
Depreciation of owned tangible fixed assets (Note 12)	904,855	807,296
Amortisation of intangible assets (Note 11)	93,795	3,200
Loss/(profit) on sale of tangible fixed assets	88,281	(2,081)
Repairs and maintenance expenditure on tangible fixed assets	73,019	59,243

Auditor's remuneration

Audit fees are borne by another group undertaking.	105,560	99,760
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In 2022 Audit fees are recharged in full from another group undertaking. Services are provided by other professional advisors as deemed appropriate by the management team.

Notes to the financial statements

for the year ended 31 December 2022

6 Staff costs and Directors' remuneration

	2022 £	2021 £
Staff costs		
Wages and salaries	8,609,676	8,992,849
Social security costs	847,402	842,005
Contributions to defined contribution pension plans	234,153	253,538
Total staff costs	9,691,231	10,088,392

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

	2022 Number	2021 Number
Distribution	151	163
Administration	185	179
Total number	336	342

During the year the salaries of all directors have been borne by another group undertaking. More information can be obtained from the Annual report of the ultimate parent company, Flowtech Fluidpower Plc.

7 Interest payable and similar cost

	2022 £	2021 £
Interest payable and similar cost		
Lease interest under IFRS 16	161,771	165,322
Other credit related interest	-	70
Total interest payable and similar cost	161,771	165,392

Notes to the financial statements

for the year ended 31 December 2022

8 Taxation

a) Tax charged in the income statement

	2022 £	2021 £
Current tax		
UK corporation tax payable	768,155	451,843
Adjustment in respect of prior year	16,067	(172,285)
Total current tax	784,222	279,558
Deferred tax		
Origination and reversal of temporary differences	165,024	159,561
Adjustments in respect of prior periods	(130,213)	45,021
Change in tax rate	18,398	125,905
Total deferred tax	53,209	330,487
Total tax expense	837,431	610,045

b) Reconciliation of the total tax charge

The tax assessed in the income statement for the year is lower from the standard rate of corporation tax in the UK of 19% (2021: 19%). The differences are reconciled below:

	2022 £	2021 £
Profit before taxation	5,412,706	6,238,943
Tax calculated at the UK standard rate of corporation tax of 19% (2021: 19%)	1,028,414	1,185,399
Timing differences not recognised in the computation	-	(608)
Impact of change in tax rate	-	164,266
Amounts not deductible	17,195	13,443
Adjustment in respect of prior years	16,067	(268,007)
(Over)/Under provided in prior years – deferred tax	(130,213)	45,021
Other adjustments	(7,028)	32,935
Group relief	(116,992)	(562,404)
Fixed asset differences	13,126	-
R&D expenditure credits	(1,536)	-
Remeasurement of deferred tax for changes in tax rates	18,398	-
Total tax expense	837,431	610,045

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 2022 has been calculated based on this rate.

Notes to the financial statements

for the year ended 31 December 2022

8 Taxation (continued)

d) Deferred tax

	Assets		Liabilities	
	2022	2021	2022	2021
	£	£	£	£
Intangible assets	-	-	-	-
Tangible fixed assets	-	-	(750,356)	(697,503)
Provisions	12,984	13,340	-	-
Tax assets/(liabilities)	12,984	13,340	(750,356)	(697,503)
Net deferred tax liability			(737,372)	(684,163)

Movement in deferred tax during the year ended 31 December 2022

	1 January 2022	Recognised in income	31 December 2022
	£	£	£
Tangible fixed assets	697,503	52,853	750,356
Provisions	(13,340)	356	(12,984)
	684,163	53,209	737,372

Movement in deferred tax during the year ended 31 December 2021

	1 January 2021	Recognised in income	31 December 2021
	£	£	£
Intangible assets	7,904	(7,904)	-
Tangible fixed assets	397,842	299,661	697,503
Provisions	(52,070)	38,730	(13,340)
	353,676	330,487	684,163

9 Dividends paid and proposed

	2022	2021
	£	£
Declared and paid during the year		
Equity dividends of £140 per A ordinary share (2021: £300)	1,400,000	3,000,000
Total dividends paid	1,400,000	3,000,000

No dividends are proposed at the end of the period.

Notes to the financial statements

for the year ended 31 December 2022

10 Goodwill

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

	2022
	£
Cost	
At 1 January 2022	16,995,589
At 31 December 2022	16,995,589
Accumulated impairment	
At 1 January 2022	-
Charge for year	-
At 31 December 2022	-
Net book value	
As at 31 December 2022	16,995,589
As at 31 December 2021	16,995,589

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.

During the year, FTUK, Beaumanor, Hydravalve and Indequip businesses were integrated into a single brand called Flowtech. The combined business operates as a single commercial entity with a single online presence; thus the businesses have been combined into a single CGU. With these changes, the carrying amounts of goodwill now comprises 3 CGUs, FTUK £10,439,708, Nelson Hydraulics £6,455,881, and Derek Lane £100,000.

During the year ended 31 December 2022, the Company determined that there was no impairment of any of its cash generating units containing goodwill.

The carrying amount of each CGU was determined by calculating the sum of the carrying amounts of all intangible assets (including goodwill) and tangible assets attributable to that unit. These were then compared with the value in use calculations for each CGU based on discounted cash flows of future period forecasts. Management prepared forecasts for each CGU for a two year period, (extending to five years for FTUK). All forecasts have been approved by the Board.

Key assumptions used in value in use calculations

The Group has determined that the recoverable amount calculations are most sensitive to changes in revenue growth rates, gross margins and discount rates. The growth rates and gross margins assumed in the calculations are consistent with recent historic trends and approved budget level, and where appropriate, these are adjusted for expected changes to customer base and phasing of contract works.

Discount rates have increased substantially over prior year due to increase in cost of borrowing and risk-free rates. This has had a significant impact on the VIU calculations for all CGUs.

The pre-tax discount rates used in the calculations ranged from 11.82% to 14.35% (2021: 8.8% to 10.1%). 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 2022

11 Other intangible assets

	Customer relationships & brands	Assets under construction £	Website	Total
Gross carrying value				
At 1 January 2022	96,000	761,031	-	857,031
Transfer between asset categories	-	(761,031)	761,031	-
Additions	-	-	211,985	211,985
At 31 December 2022	96,000	-	973,016	1,069,016
Amortisation and impairment				
At 1 January 2022	96,000	-	-	96,000
Amortisation charge for year	-	-	93,795	93,795
At 31 December 2022	96,000	-	93,795	189,795
Net book value				
As at 31 December 2022	-	-	879,221	879,221
As at 31 December 2021	-	761,031	-	761,031

Customer relationships and brands relate to the acquisition of the trade and assets of Indequip on 19 February 2017. Assets under construction relate to the new website comprising Online ordering, Customer Data Platform, Product information System and Fulfilment capabilities. Now that they are fully functional, these assets have been recategorised as Website.

Notes to the financial statements

for the year ended 31 December 2022

12 Tangible fixed assets

	Plant, machinery & equipment
Cost	
At 1 January 2022	12,033,090
Additions	1,274,360
Disposals	(264,333)
At 31 December 2022	13,043,117
Depreciation	
At 1 January 2022	7,358,752
Charge for year	904,855
Disposals	(158,912)
At 31 December 2022	8,104,695
Net book value	
At 31 December 2022	4,938,422
At 31 December 2021	4,674,338

13 Investments

	2022 £
As at 1 January 2022	234,284
Disposal	(234,284)
As at 31 December 2022	-

Details of subsidiary undertakings

The investment in Weltac Limited was disposed of during the year as the company was dissolved. The dividend received on dissolution was net off with the investment held.

14 Stocks

	2022 £	2021 £
Finished goods and goods for resale	21,950,078	22,076,420

Changes in finished goods recognised as cost of sales in the year amounted to £40,340,167 (2021: £40,685,136). The provision made against stock at the reporting date was £1,099,043 (2021: £935,559). 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.

Notes to the financial statements

for the year ended 31 December 2022

15 Trade and other debtors

	2022 £	2021 £
Current:		
Trade debtors	14,303,159	13,936,346
Other debtors	553,386	965,743
Prepayments and accrued income	218,264	144,917
Amounts owed by group undertakings	41,205,747	50,134,546
Total trade and other debtors	56,280,556	65,181,552

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

Trade debtors are stated after provisions of impairment of £96,441 (2021: £139,539).

16 Cash and cash equivalents

	2022 £	2021 £
Cash and cash equivalents:		
Sterling	1,775,196	2,416,290
Euro	1,323,759	261,890
Dollar	38,161	8,783
Total cash and cash equivalents	3,137,116	2,686,963

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 21.

	2022 £	2021 £
Non-current liabilities:		
Lease liabilities	3,745,832	3,973,355
Total non-current liabilities	3,745,832	3,973,355
Current liabilities:		
Lease liabilities	997,051	783,333
Total current liabilities	997,051	783,333
Total interest bearing loans and borrowings	4,742,883	4,756,688

Notes to the financial statements

for the year ended 31 December 2022

17 Interest bearing loans and borrowings (continued)

Terms and debt repayment schedule

	Currency	Nominal interest rate	Year of maturity	Carrying value 2022 £	Carrying value 2021 £
Lease liabilities	GBP	Various	2021 to 2031	4,742,883	4,756,688
				4,742,883	4,756,688

18 Trade and other creditors

	2022 £	2021 £
Current:		
Trade creditors	7,768,436	10,829,257
Social security and other taxes	1,264,330	1,340,161
Accruals and deferred income	1,803,100	1,083,582
Amounts owed to other group undertakings	34,702,270	45,140,101
Total trade and other creditors	45,538,136	58,393,101

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

19 Provisions for liabilities

	Provisions for dilapidations £	Total £
Non-current liabilities:		
Balance at 1 January 2022	(131,152)	(131,152)
Provisions made during the year	(50,000)	(50,000)
Amount utilised	28,316	28,316
Balance at 31 December 2022	(152,836)	(152,836)

The dilapidation provision is held in respect of leasehold properties held by the Company and represents management's best estimate of the amount which is expected to be settled in respect of dilapidation costs for the relevant sites. During the year £28,316 (2021: £nil) of the provision was utilised. The ongoing provision is expected to be utilised in more than 5 years.

Notes to the financial statements

for the year ended 31 December 2022

20 Issued and called up share capital

	2022 £	2021 £
Allotted, called up and fully paid		
10,000 "A" Ordinary shares of 1 pence each	100	100
560 "B" Ordinary shares of 1 pence each	6	6
560 "C" Ordinary shares of 1 pence each	6	6
Total allotted, called up and fully paid	112	112

Each category of share has equivalent rights in respect of both voting and on a winding-up of the company.

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 £234,153 (2021: £253,538).

22 Right of use assets and liabilities

In 2022 lease payments of £1,003,683 (2021: £940,782) have been eliminated and depreciation of £887,126 (2021: £833,695) and finance costs of £161,525 (2021: £165,252) have been incurred.

	Right of use assets			Total
	Land and property £	Plant and Machinery	Motor Vehicles £	£
Cost				
Balance at 1 January 2022	5,056,594	398,522	817,757	6,272,873
Additions	632,426	-	204,618	837,044
Disposals	-	-	(159,283)	(159,283)
Balance at 31 December 2022	5,689,020	398,522	863,092	6,950,634
Depreciation and amortisation				
Balance at 1 January 2022	1,324,365	75,961	279,178	1,679,504
Depreciation charge for the year	583,162	56,932	247,032	887,126
Disposals	-	-	(148,066)	(148,066)
Impairment	388,050	-	-	388,050
Balance at 31 December 2022	2,295,577	132,893	378,144	2,806,614
Net book value at 31 December 2022	3,393,443	265,629	484,948	4,144,020
Net book value at 31 December 2021	3,732,229	322,561	538,579	4,593,369

Notes to the financial statements

for the year ended 31 December 2022

22 Right of use assets and liabilities (continued)

Lease liabilities

	2022	2021
	£	£
At 1 January	4,756,688	5,385,530
Repayment	(1,003,683)	(939,732)
Interest	161,525	165,252
Acquisition	837,045	469,986
Disposals	(8,692)	(324,348)
At 31 December	4,742,883	4,756,688

Lease liabilities have been analysed between current and non-current as follows:

	2022	2021
	£	£
Current	997,051	783,333
Non Current	3,745,832	3,973,355
At 31 December	4,742,883	4,756,688

The income statement shows the following amounts relating to leases:

	2022	2021
	£'000	£'000
Depreciation of charge of right-of-use assets		
– Land and buildings	583,162	548,343
– Other	303,964	285,352
Interest expenses (included in finance cost)	161,525	165,252

23 Restructuring

Restructuring costs relate to restructuring activities of an operational nature following acquisition of business units and other restructuring activities in established businesses. In 2022 total restructuring costs include £894K relating to the de-commissioning of the Leicester distribution centre (including £337K in redundancies and £388K impairment of leased asset) and £106K for the write-off of the old website.

Notes to the financial statements

for the year ended 31 December 2022

24 Prior period adjustment

In the financial statements of FY 2021, a prior year adjustment was recognised relating to FY 2020. The adjustment of £2,147,092 related to dividend income received which was erroneously taken to the income statement. The 2021 annual report included a typographical error in the 2021 Statement of financial position which did not reflect the 2020 prior year adjustment therefore the 2021 balance sheet has been restated. Resulting in a £2,147,092 reduction in investments and retained earnings. The statement of changes in equity was correctly presented in FY 2021.

The error is corrected in this year by crediting investments and debiting retained earnings.

Statement of Financial Position (Extracts)

at 31 December 2021

	Restated 2021 £	Original 2021 £	Variance £
Fixed assets			
Goodwill	16,995,589	16,995,589	-
Intangible assets	761,031	761,031	-
Tangible assets	4,674,338	4,674,338	-
Right of use assets	4,593,369	4,593,369	-
Investments	234,284	2,381,376	(2,147,092)
Total fixed assets	27,258,611	29,405,703	(2,147,092)
	Restated 2021 £	Original 2021 £	Variance £
Capital and reserves			
Share capital	112	112	-
Share premium account	9,974	9,974	-
Share-based payment reserve	(3,830)	(3,830)	-
Capital contribution	752,127	752,127	-
Retained earnings	52,246,322	54,393,414	(2,147,092)
Total equity	53,004,705	55,151,797	(2,147,092)

25 Capital commitments

The Company had capital expenditure of £19,496 contracted for but not provided at 31 December 2022 (2021: £34,000).

26 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 £19,966,668 (2021: £19,886,668) 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.

Notes to the financial statements

for the year ended 31 December 2022

27 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.

28 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.

29 Subsequent events

On 22 February 2023 the Group's £20m revolving credit facility provided by Barclays Bank was renewed for a 3 year period with an option to extend for a further year. Aside from this in the opinion of the Board, there have been no significant events occurring since the balance sheet date.

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