

**Annual Report and Financial Statements**  
Registered number 05207649  
31 December 2020

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## Fluidpower Shared Services Limited

### Company Information

Directors	Russell Cash Bryce Brooks
Registered number	05207649
Registered office	Bollin House Riverside Business Park Wilmslow SK9 1DP
Independent auditor	Grant Thornton UK LLP Chartered Accountants and Statutory Auditors 4 Hardman Square Spinningfields Manchester M3 3EB

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## Strategic Report

### Introduction

The Directors present their Strategic Report of Fluidpower Shared Services Limited (the "Company") for the year ended 31 December 2020. The Company's principal activity is that of the provision of support services to other group undertakings.

### Business review

As shown in the Company's Income Statement on page 9, the Company made a loss for the year of £149,582 (2019: loss £4,194,216). Reported losses are lower due to recharges of service charges to group companies of £3,961,030 (2019: £nil).

### Principal risks and uncertainties

2020 saw us faced with the combined challenges of Brexit planning, which we were clearly expecting, alongside the unforeseen and much greater issues which COVID-19 presented.

Brexit – We planned for the implications of the UK's departure from the European Union and feel we have done all we could have been expected to do ahead and beyond 1 January 2021.

COVID-19 – The global pandemic presented what we hope is once-in-a-lifetime challenges for the business. We established a COVID working group to focus on all the challenges presented. Whilst there clearly remains a risk that there could be further spikes in activity, we feel we have demonstrated the business is capable of taking remedial action and that our markets have a degree of resilience to manage any such situation.

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



Russell Cash  
Director  
29 September 2021

## Directors' Report

The Directors present the audited Financial Statements of Fluidpower Shared Services Limited (the "Company") for the year ended 31 December 2020.

### Directors

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

Bryce Brooks  
Russell Cash

### Dividends

The Directors do not recommend a final dividend (2019: *£nil*).

### Financial instruments

The Company finances its activities with a combination of inter group loans and cash and short term deposits, as disclosed in notes 8 and 9. Other financial assets and liabilities, such as other debtors and accruals, arise directly from the Company's operating activities.

### 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 4 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 the group operations. 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 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.

### 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.

### Going concern

The financial statements are prepared on a going concern basis which the Directors believe to be appropriate. The directors have prepared forecasts covering the period to December 2022. This exercise resulted in the Directors believing it is still likely that the Group would continue to operate within the aggregate £25m banking facility whilst seeking to ensure all bank covenants were complied with. The Company therefore continues to adopt the going concern basis in preparing its financial statements. Refer to note 2.3 for further detail.

## Directors' Report (continued)

### 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.

### 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.

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.

*Russell Cash*

Russell Cash  
Director  
29 September 2021

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

### Opinion

We have audited the financial statements of Fluidpower Shared Services Limited (the 'company') for the year ended 31 December 2020, 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' 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; 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](http://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:
  - o evaluation of the processes and controls established to address the risks related to irregularities and fraud;
  - o testing manual journal entries, in particular journal entries relating to management estimates and entries determined to be large or relating to unusual transactions;
  - o identifying and testing related party transactions.
- 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:
  - o The company's operations, including expected financial statement disclosures and business risks that may result in risk of material misstatement and
  - o 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.

Grant Thornton

Michael Frankish  
Senior Statutory Auditor  
for and on behalf of Grant Thornton UK LLP  
Statutory Auditor, Chartered Accountants  
Manchester

29 September 2021

## Income Statement

for the year ended 31 December 2020

	Note	2020 £	2019 £
Administrative expenses		(149,582)	(4,194,216)
<b>Loss on ordinary activities before taxation</b>	<b>3</b>	<b>(149,582)</b>	<b>(4,194,216)</b>
Tax expense	5	-	-
<b>Loss for the financial year</b>		<b>(149,582)</b>	<b>(4,194,216)</b>

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

All losses are derived from continuing operations.

The notes form part of the financial statement and are set out on pages 12 to 24.

## Statement of Financial Position

at 31 December 2020

	Note	2020 £	2019 £
<b>Fixed assets</b>			
Right of use assets	12	229,786	226,558
Investments	6	604	604
<b>Total fixed assets</b>		<b>230,390</b>	<b>227,162</b>
<b>Current assets</b>			
Trade and other debtors	7	49,499,145	49,669,039
Cash and cash equivalents	8	65,187	16,714
<b>Total current assets</b>		<b>49,564,332</b>	<b>49,685,753</b>
<b>Creditors: amounts falling due within one year</b>			
Trade and other creditors	9	23,715,124	23,718,315
<b>Total creditors: amounts falling due within one year</b>		<b>23,715,124</b>	<b>(23,718,315)</b>
<b>Net current assets</b>		<b>25,849,208</b>	<b>25,967,438</b>
<b>Total assets less current liabilities</b>		<b>26,079,598</b>	<b>26,194,600</b>
Lease liabilities non-current	12	119,067	134,189
<b>Net assets</b>		<b>25,960,531</b>	<b>26,060,411</b>
<b>Capital and reserves</b>			
Share capital	10	96,000	96,000
Share premium account		57,116,015	57,116,015
Share-based payment reserve		98,230	48,528
Unrealised loss reserve		(29,042,987)	(29,042,987)
Retained earnings		(2,306,727)	(2,157,145)
<b>Total equity</b>		<b>25,960,531</b>	<b>26,060,411</b>

The notes form part of the financial statement and are set out on pages 12 to 24.

The Financial Statements on pages 9 to 24 were approved by the Directors on 29 September 2021 and were signed by:

*Russell Cash*

Russell Cash  
Director

Fluidpower Shared Services Limited  
Bollin House  
Bollin Walk  
Wilmslow  
SK9 1DP

**Statement of Changes in Equity**  
*for the year ended 31 December 2020*

	Share capital £	Share premium £	Share-based payment reserve £	Unrealised loss reserve £	Retained (losses)/ earnings £	Total Equity £
<b>Balance at 1 January 2019</b>	<b>96,000</b>	<b>57,116,015</b>	<b>57,071</b>	<b>(29,042,987)</b>	<b>2,037,071</b>	<b>30,263,170</b>
Loss for the year	-	-	-	-	(4,194,216)	(4,194,216)
Total comprehensive income for the year	-	-	-	-	(4,194,216)	(4,194,216)
<b>Transactions with owners</b>						
Share-based payment charge	-	-	11,457	-	-	11,457
Share options exercised for cash	-	-	(20,000)	-	-	(20,000)
Total transactions with owners	-	-	8,543	-	-	8,543
<b>Balance at 1 January 2020</b>	<b>96,000</b>	<b>57,116,015</b>	<b>48,528</b>	<b>(29,042,987)</b>	<b>(2,157,145)</b>	<b>26,060,411</b>
Loss for the year	-	-	-	-	(149,582)	(149,582)
Total comprehensive expense for the year	-	-	-	-	(149,582)	(149,582)
<b>Transactions with owners</b>						
Share-based payment charge	-	-	49,702	-	-	49,702
Share options exercised for cash	-	-	-	-	-	-
Total transactions with owners	-	-	49,702	-	-	49,702
<b>Balance at 31 December 2020</b>	<b>96,000</b>	<b>57,116,015</b>	<b>98,230</b>	<b>(29,042,987)</b>	<b>(2,306,727)</b>	<b>25,960,531</b>

The notes form part of the financial statements and are set out on pages 12 to 24.

## Notes to the Financial Statements

for the year ended 31 December 2020

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

The Financial Statements of Fluidpower Shared Services Limited (the "Company") for the year ended 31 December 2020 were authorised for issue by the Board of Directors on 29 September 2021 and the Statement of Financial Position was signed on the Board's behalf by Russell Cash. Fluidpower Shared Services 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

Accounting policies which follow set out those policies which apply in preparing the Financial Statements for the year ended 31 December 2020.

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 is a party to the transaction is wholly owned by such a member;
- (f) disclosure requirements of IFRS 7 'Financial Instruments', and

## Notes to the Financial Statements

for the year ended 31 December 2020

### 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 2020 that have a material impact on the company's financial statements.

#### 2.3 Going concern

The Financial Statements have been prepared on the going concern basis which the Directors believe to be appropriate for the following reasons.

The Company provides centralised administrative and management support to other companies in the group. It is therefore dependent 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. As with any company placing reliance on other group entities for financial support, the Directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these Financial Statements, they have no reason to believe that it will not do so.

Based on this undertaking, the Directors believe that it remains appropriate to prepare the Financial Statements on a going concern basis. The Financial Statements do not include any adjustments that would result from the basis of preparation being inappropriate.

#### 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.

There were no significant judgements during this accounting period.

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

##### Share-based payments

A number of accounting estimates and judgements are incorporated within the calculation of the charge to the Income Statement in respect of share-based payments. These are described in more detail in the notes to the consolidated financial statements of Flowtech Fluidpower plc.

## Notes to the Financial Statements

for the year ended 31 December 2020

### 2 Accounting policies (continued)

#### 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 debtors are recognised initially at the transaction price in accordance with IFRS 15. The Company applies IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. The expected loss rates are based on the detailed reviews of line level debtor balances, taking into consideration historical loss rates experienced by the business and adjusting these for changes to credit worthiness of the customer (where information is available from third party monitoring services) as also any macroeconomic factors affecting the ability of the customer to settle the receivables.

At each reporting date management assesses whether any events have occurred which have had a detrimental effect on the estimated future cash flows of the asset causing a financial asset to become credit impaired. If the credit risk is significant a provision is posted on the recoverable amount the Company is expected to receive per management's assessment. Specific provisions of this nature are excluded from the simplified credit loss calculation using the provision matrix.

##### *Trade and other creditors*

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

##### *Cash and cash equivalents*

Cash and cash equivalents comprise cash, bank balances net of bank overdrafts and are subject to insignificant risk 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.



## Notes to the Financial Statements

for the year ended 31 December 2020

### 2 Accounting policies (continued)

#### 2.7 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.

#### 2.8 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.

Leases in which the Company assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Where land and buildings are held under leases the accounting treatment of the land is considered separately from that of the buildings. Leased assets acquired by way of finance lease are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and less accumulated impairment losses. Lease payments are accounted for as described below.

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:

Right-of-use property	2 to 12 years – straight line
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Right-of-use motor vehicles	2 to 5 years – straight line
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Depreciation methods, useful lives and residual values are reviewed at each reporting date.

#### 2.9 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 balance sheet date, and any adjustment to tax payable in respect of previous years.

## Notes to the financial statements

for the year ended 31 December 2020

### 2 Accounting policies (continued)

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 balance sheet 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.

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 balance sheet date, and any adjustment to tax payable in respect of previous years.

#### 2.10 Equity and reserves

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 as detailed in note 11.2

"Unrealised loss reserve" represents the reserve created by the unpaid element of a novated shareholder loan

"Retained earnings" represent retained earnings of the Company

#### 2.10 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 2020

### 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 Group 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

## Notes to the Financial Statements

for the year ended 31 December 2020

### 3 Loss on ordinary activities before taxation

Charging as per figures:

	2020	2019
	£	£
Depreciation of property, plant and equipment held under right of use assets	123,752	105,928

### Services provided by the Company's Auditors

	2020	2019
	£	£
Audit of the Financial Statements of the company and group*	171,000	115,000

\* Audit fees paid on behalf of other group undertakings have been recharged in full in both years to other group undertakings. Services are provided by other professional advisors as deemed appropriate by the management team

### 4 Staff costs and Directors' remuneration

	2020	2019
	£	£
<b>Staff costs</b>		
Wages and salaries	1,800,146	1,299,090
Social security costs	248,909	141,906
Contributions to defined contribution pension plans	58,141	29,389
Share-based payments	49,702	11,457
<b>Total staff costs</b>	<b>2,156,898</b>	<b>1,481,842</b>

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

	2020	2019
	Number	Number
Administration	35	25
<b>Total number</b>	<b>35</b>	<b>25</b>

Staff costs have been recharged to other group undertakings in both years.

### Directors' remuneration

Directors' remuneration is borne by another group undertaking in both the current and previous reporting periods.

## Notes to the Financial Statements

for the year ended 31 December 2020

### 5 Taxation

#### a) Tax charged in the income statement

	2020	2019
	£	£
<b>Total tax expense</b>	-	-

#### 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% (2019: 19%). The differences are reconciled below:

	2020	2019
	£	£
Loss before taxation	(149,582)	(4,194,216)
Tax calculated at the UK standard rate of corporation tax of 19% (2019: 19%)	(28,421)	(796,901)
Deferred tax movements not recognised	(265)	5,116
Amounts not deductible	91,197	7,731
Group relief	(61,245)	784,054
Other adjustments	(1,266)	-
<b>Total tax expense</b>	-	-

#### c) Change in corporation tax rate

In the Spring Budget 2021, the Government announced that from 1 April 2023 the corporation tax rate will increase to 25% for companies with profits of £250,000 or greater. For companies with profits of £50,000 or less the corporation tax rate will remain at 19%. A tapered rate will be introduced for companies with profits greater than £50,000 and less than £250,000. Since the proposal to increase the corporation tax rates had not been substantively enacted at the balance sheet date, its effects are not included in these financial statements.

#### d) Deferred taxation

A deferred tax asset of £nil (2019: £12,820) in respect of cumulative share-based payments of £nil (2019: £59,649) has not been recognised due to uncertainty surrounding the availability of future profits, against which these payments can be utilised.

### 6 Investments

	Investments in subsidiary undertakings
	£
Cost and net book value at 1 January 2020	604
Additions	-
<b>Cost and net book at 31 December 2020</b>	<b>604</b>

## Notes to the Financial Statements

for the year ended 31 December 2020

### Details of subsidiary undertakings

	Principal activity	Holding	Country of incorporation
IPL Fluid Power Limited	Dormant	100%	UK
Betabite Hydraulics Limited	Dormant	100%	UK
KR Couplings Limited	Dormant	100%	UK
HUK Valves Limited	Dormant	100%	UK
Titan Fluid Power Limited	Dormant	100%	UK
Haitima Flow Control Limited	Dormant	100%	UK
Hydravalue UK Limited	Dormant	100%	UK
Flowtech Midco Limited	Dormant	100%	UK
Vitassem Limited	Dormant	100%	UK
Indequip Limited	Dormant	100%	UK
Hydraulics (Ireland) Limited	Dormant	100%	UK
Hydraulic Equipment Supermarkets Limited	Dormant	100%	UK
Branch Hydraulic Systems Limited	Dormant	100%	UK
HES Tractec Limited	Dormant	100%	UK
HES Lubemec Limited	Dormant	100%	UK
HES Automatec Limited	Dormant	100%	UK
Fluidpower PMC Holdings Limited	Holding Company	100%	UK
DLC Defence Ltd	Dormant	100%	UK
Derek Lane (Contracts) Ltd	Dormant	100%	UK
Derek Lane and Co (South West) Ltd	Dormant	100%	UK
Flowtechnology Asia Limited	Holding Company	100%	UK
Flowtechnology HK Limited	Dormant	100%	Hong Kong
Fluidpower Properties Limited	Dormant	100%	UK
Onsite Fluidpower Limited	Dormant	100%	UK

For all the subsidiaries above the class of shares held are ordinary shares and all subsidiaries are direct subsidiaries of the Company.

The registered office address of each subsidiary is Bolin House, Riverside Business Park, Wilmslow, England, SK9 1DP.

### 7 Trade and other debtors

	2020	2019
	£	£
<b>Current:</b>		
Trade debtors	1,328	-
Other debtors	251,099	755
Prepayments and accrued income	36,366	108,965
Amounts owed by group undertakings	49,210,352	49,559,319
<b>Total trade and other debtors</b>	<b>49,499,145</b>	<b>49,669,039</b>

## Notes to the Financial Statements

for the year ended 31 December 2020

### 8 Cash and cash equivalents

	2020	2019
	£	£
<b>Cash and cash equivalents:</b>		
Sterling	57,843	16,852
Euro	7,344	(138)
<b>Total cash and cash equivalents</b>	<b>65,187</b>	<b>16,714</b>

### 9 Trade and other creditors

	2020	2019
	£	£
<b>Current:</b>		
Trade creditors	29,180	31,203
Social security and other taxes	53,385	(68,326)
Accruals and deferred income	469,692	364,305
Lease liability – current	117,238	102,634
Amounts owed to other group undertakings	23,045,629	23,288,499
<b>Total trade and other creditors</b>	<b>23,715,124</b>	<b>23,718,315</b>

### 10 Authorised, issued and called up share capital

	2020	2019
	£	£
<b>Authorised</b>		
10,000,000 Ordinary shares of 1 pence each	100,000	100,000
193,680 "C" Ordinary shares of 1 pence each	1,937	1,937
<b>Total authorised</b>	<b>101,937</b>	<b>101,937</b>
<b>Allotted, called up and fully paid</b>		
9,600,000 Ordinary shares of 1 pence each	96,000	96,000
<b>Total allotted, called up and fully paid</b>	<b>96,000</b>	<b>96,000</b>

### 11 Employee benefits

#### 11.1 Pension plans

The Company operates a defined contribution plan. The total expense relating to this plan in each year was £58,141 (2019: £29,389).

#### 11.2 Share-based payments

Certain Company employees have received share options granted by the Group's share option plans, further details of which are disclosed in the consolidated financial statements of the ultimate parent company Flowtech Fluidpower plc. In total £49,702 (2019: £11,457) of employee remuneration expenses all of which related to equity-settled share-based payment transactions has been included in the Income Statement.

## Notes to the Financial Statements

for the year ended 31 December 2020

### 12 Right of use Assets and Lease Liabilities

In 2020 lease payments of £136,779 (2019: £54,689) were eliminated and depreciation of £123,752 (2019: £105,928) and finance costs of £9,282 (2019: £8,011) were charged. The impact of this is an increase in operating profit of £13,027 (2019 decrease: £51,239) and, after taking account of finance costs, an increase in profit before tax of £3,745 (2019 decrease: £59,250).

#### Right of Use assets

	Right of use assets		Total
	Land and property	Motor Vehicles	
	£	£	£
<b>Cost</b>			
Balance at 1 January 2020	234,077	98,409	332,486
Additions	-	126,980	126,980
Disposals	(17,326)	(6,967)	(24,293)
<b>Balance at 31 December 2020</b>	<b>216,751</b>	<b>218,422</b>	<b>435,173</b>
<b>Depreciation and amortisation</b>			
Balance at 1 January 2020	71,483	34,445	105,928
Depreciation charge for the year	53,568	70,184	123,752
Disposals	(17,326)	(6,967)	(24,293)
Effect of movements in foreign exchange	-	-	-
<b>Balance at 31 December 2020</b>	<b>107,725</b>	<b>97,662</b>	<b>205,387</b>
<b>Net book value</b>			
<b>At 31 December 2020</b>	<b>109,026</b>	<b>120,760</b>	<b>229,786</b>
<b>At 31 December 2019</b>	<b>162,594</b>	<b>63,964</b>	<b>226,558</b>

#### Right of Use Lease liabilities

	2020	2019
	£	£
At 1 January	134,189	293,673
Correction to prior year	102,634	
Repayment	(136,779)	(205,678)
Interest	9,282	8,011
Acquisition	126,980	38,813
<b>At 31 December</b>	<b>236,306</b>	<b>134,189</b>



## Notes to the Financial Statements

for the year ended 31 December 2020

The associated right-of-use assets for property leases and other assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the Statement of Financial Position as at 31 December 2020.

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

	2020	2019
	£	£
Within 1 year	117,239	-
More than 1 year	119,067	134,189
At 31 December 2020	236,306	134,189

The statement of profit or loss shows the following amounts relating to leases:	2020	2019
	£'000	£'000
Depreciation of charge of right-of-use assets		
– Land and buildings	70,184	71,483
– Other	53,568	34,445
Interest expenses (included in finance cost)	9,282	8,011

### 13 Capital commitments

At the year end the Company had capital commitments of £50,000(2019: £NIL).

### 14 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 £19,886,668 (2019: £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.

### 15 Subsequent events

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

### 16 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.

**Notes to the Financial Statements**  
*for the year ended 31 December 2020*

**17 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, England, SK9 1DP.