

Registered number: 10404128

**R&G FLUID POWER GROUP LIMITED**

**UNAUDITED**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE 9 MONTH PERIOD ENDED 30 SEPTEMBER 2022**

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**R&G FLUID POWER GROUP LIMITED**

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**COMPANY INFORMATION**

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<b>Directors</b>	Richard James Davies Alessandro Lala John Morrison
<b>Company secretary</b>	John Morrison
<b>Registered number</b>	10404128
<b>Registered office</b>	10 - 11 Charterhouse Square London EC1M 6EE

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**R&G FLUID POWER GROUP LIMITED**

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## **R&G FLUID POWER GROUP LIMITED**

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### **STRATEGIC REPORT FOR THE PERIOD ENDED 30 SEPTEMBER 2022**

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#### **Principal activity and future developments**

The principal activity of the Company is that of a holding company which manages and operates the R&G group of companies (the "R&G Group"), which are a group of distribution businesses providing a diverse range of industrial, hydraulic and pneumatic products in the United Kingdom and the directors anticipate these activities to continue for the foreseeable future.

On 6 April 2022, 100% of the share capital of the Company was purchased by R&G Fluid Power Holdings Limited, a company under the ultimate ownership of Diploma PLC.

#### **Business review and principal risks and uncertainties**

The Company is managed as part of an overall group of companies whose ultimate parent company is Diploma PLC ("the Group"), following the acquisition during the period. The accounting period has been reduced to 9 months following the acquisition to align with the Group's year end.

The financial statements have been prepared in accordance with Financial Reporting Standard 102 ("FRS 102").

The principal risks and uncertainties of the Company and the R&G Group are integrated with the principal risks and uncertainties of the Group and are not managed separately.

The continued success of the Company and the R&G Group is the ability to identify and manage effectively the risks to the business. Accordingly, in common with the Group generally, the Company has well-defined, rigorous policies and processes designed to identify, mitigate and control risk.

The primary risks that have the potential to adversely impact on the R&G Group over the next twelve months are considered to be as follows:

- Downturn/instability in major markets: Adverse changes in the major markets in which the Company operates can have a significant impact on performance. The Company identifies key market drivers and monitors the trends and forecasts, as well as maintaining close relationships with key customers.
- Loss of key customers - the loss of one or more major customers can be a material risk. The nature of the Group's businesses is such that there is not a high level of dependence on any individual customer.
- Loss of key personnel - the Company is built upon a strong management team and the loss of key personnel can have an impact on the company. The company places high importance on developing and rewarding key employees to help in mitigating this risk.
- Inventory obsolescence - working capital management is critical to the success of the Company and the principle risk to working capital is inventory obsolescence and write-off. Inventory write-offs are controlled and managed by maintaining an appropriate inventory provision policy and perpetual inventory counts.

The Group manages its funding and liquidity risks on a consolidated basis, as referred to in the accounting policies. Full disclosure of the Group's financial risk management policies are set out in the consolidated financial statements of Diploma PLC which are prepared under International Financial Reporting Standards.

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## R&G FLUID POWER GROUP LIMITED

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### STRATEGIC REPORT (CONTINUED) FOR THE PERIOD ENDED 30 SEPTEMBER 2022

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#### Financial key performance indicators

The Directors monitor and manage the performance of the Company assisted by the production of detailed monthly management reports containing a number of key financial and non financial measures including turnover, profit margins, working capital levels and cash flows.

The matters required to be discussed in the Business Review, which include the key performance indicators and principal risks and uncertainties, are set out in the Annual Report & Accounts of Diploma PLC on pages 82 to 88.

A copy of this is available on the website at [www.diplomapl.com](http://www.diplomapl.com) or can be obtained from the Group Company Secretary, Diploma PLC, 10-11 Charterhouse Square, London, EC1M 6EE.

#### Going Concern

At 30 September 2022, the Company had net assets of £25,937,000 (At 31 December 2021: £1,641,000). The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future.

The going concern position of the Company is linked to that of the wider Group due to the cross guarantees on financing given by a number of Group companies as well as the provision of a letter of financial support from the ultimate parent company, Diploma PLC in respect of the going concern status of various Group companies.

The Group's balance sheet is strong and working capital is well controlled. On 13 October 2020, the Group entered into a debt facility agreement (SFA) which comprised a three-year term loan for an aggregate principal amount of £136.0m (\$170.0m) and a committed multi-currency revolving facility for an aggregate principal amount of £135.0m, which was increased to £185.0m during the previous financial year.

During the year the Group has amended the SFA to increase the total facility size. As at 30 September 2022, the SFA comprises a committed multi-currency revolving facility for an aggregate principal amount of £359.7m, an amortising term loan for an aggregate principal amount of £114.2m (\$127.5m), a bullet term loan for an aggregate principal amount of £59.1m (\$66.0m) and a further bullet term loan for an aggregate principal amount of £45.3m. The SFA is due to expire in December 2024 and there is an option to extend for a further 12-month period.

The Group's debt facilities are subject to interest at variable rates. During the year, the Group entered into interest rate swap contracts with the effect of fixing the interest rate on \$100m (£89.6m) of debt. The effective fixed rate debt was 24% as a proportion of total debt. Subsequent to the year end, the Group entered into further interest rate swap contracts with the effect of fixing the interest rate on an additional \$100m of debt.

At 30 September 2022, the Group's Net Debt/EBITDA was 1.4x, and year end headroom was £204m. The Group continues to operate against a backdrop of macroeconomic disruption, including widespread global inflation, rising interest rates and the continued uncertainty of the Covid-19 pandemic, in particular its lasting impact on global supply chains. Accordingly, the Directors have again considered a more comprehensive going concern view than in previous years. The Group has considerable financial resources, together with a broad spread of customers and suppliers across different geographic areas and sectors, often secured with longer term agreements. As a consequence, the Directors believe that the Group is well placed to manage its business risks successfully as described in the strategic report.

Diploma PLC, the ultimate parent company of the Company has provided a letter of support to the Company for a period of at least twelve months from the date of these financial statements confirming that it will provide adequate financial support to the Company to allow the Company to meet its financial obligations as they fall due.

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**R&G FLUID POWER GROUP LIMITED**

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**STRATEGIC REPORT (CONTINUED)  
FOR THE PERIOD ENDED 30 SEPTEMBER 2022**

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The Directors of the Company are satisfied that there are no material events or uncertainties that they are aware of which will impact the ability of the Company to continue as a going concern. Accordingly, the financial statements have been prepared on a going concern basis.

This report was approved by the board on 27 June 2023 and signed on its behalf.



**R Davies**  
Director

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## **R&G FLUID POWER GROUP LIMITED**

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### **DIRECTORS' REPORT FOR THE PERIOD ENDED 30 SEPTEMBER 2022**

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The directors present their report and the financial statements for the 9 month period ended 30 September 2022.

The matters required to be discussed in the Business Review, which include the key performance indicators, financial risk management policies and principal risks and uncertainties, are set out in the Annual Report of Diploma PLC on pages 82 to 88.

A copy of this is available on the website at [www.diplomaplc.com](http://www.diplomaplc.com) or can be obtained from Diploma PLC, 10-11 Charterhouse Square, London, EC1M 6EE.

#### **Results and dividends**

The profit for the period, after taxation, amounted to £2,002,000 (Year ended 31 December 2021: £1,092,000).

The Directors paid did not declare an ordinary dividend in the 9 month period ended 30 September 2022. (Year ended 31 December 2021: 1,002,000).

#### **Directors**

The directors who served during the period and up to the date of signing the report were:

Richard James Davies  
Alessandro Lala (appointed 1 October 2022)  
John Morrison  
Barbara Gibbes (appointed 6 April 2022, resigned 30 September 2022)  
Chris Ford (resigned 6 April 2022)  
Geoffrey Dallimore (resigned 6 April 2022)  
Brian Kenneth Scowcroft (resigned 6 April 2022)

#### **Qualifying third party indemnity provisions**

The Company has made qualifying third party indemnity provisions for the benefit of its Directors which were made during the year and remain in force at the date of this report.

This report was approved by the board on 27 June 2023 and signed on its behalf.



**R Davies**  
Director

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**R&G FLUID POWER GROUP LIMITED**

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**DIRECTORS' RESPONSIBILITIES STATEMENT  
FOR THE PERIOD ENDED 30 SEPTEMBER 2022**

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*The directors are responsible for preparing the Strategic Report, the 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. 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 of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the Company's financial statements and then apply them consistently;
- make judgments 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 to 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.



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**R&G FLUID POWER GROUP LIMITED**

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**PROFIT AND LOSS ACCOUNT  
FOR THE PERIOD ENDED 30 SEPTEMBER 2022**

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	<b>Note</b>	<b>9 month period 30 September 2022 £000</b>	<b>Year ended 31 December 2021 £000</b>
Administrative expenses		(1,931)	(1,631)
Management charges receivable		1,181	1,406
<b>Operating loss</b>		<u>(750)</u>	<u>(225)</u>
Dividends received		2,719	1,516
Interest receivable and similar income		41	120
Interest payable and similar expenses		(89)	(183)
<b>Profit before tax</b>		<u>1,921</u>	<u>1,228</u>
Tax on profit	6	81	(136)
<b>Profit for the financial period</b>		<u><u>2,002</u></u>	<u><u>1,092</u></u>

The notes on pages 10 to 24 form part of these financial statements.

**R&G FLUID POWER GROUP LIMITED**  
**REGISTERED NUMBER: 10404128**

**BALANCE SHEET**  
**AS AT 30 SEPTEMBER 2022**

	Note	30 September 2022 £000	31 December 2021 £000
<b>Fixed assets</b>			
Intangible assets	9	-	180
Tangible assets	10	1,203	931
Investments	11	25,352	16,669
		<u>26,555</u>	<u>17,780</u>
<b>Current assets</b>			
Debtors: amounts falling due within one year	12	12,140	6,403
Cash at bank and in hand	13	-	169
		<u>12,140</u>	<u>6,572</u>
Creditors: amounts falling due within one year	14	(8,803)	(8,342)
<b>Net current assets/(liabilities)</b>		<u>3,337</u>	<u>(1,770)</u>
<b>Total assets less current liabilities</b>		<u>29,892</u>	<u>16,010</u>
Creditors: Amounts Falling Due After More Than One Year	15	(3,802)	(14,193)
<b>Provisions for liabilities</b>			
Deferred tax	7	(153)	(176)
		<u>(153)</u>	<u>(176)</u>
<b>Net assets</b>		<u><u>25,937</u></u>	<u><u>1,641</u></u>
<b>Capital and reserves</b>			
Called up share capital	16	1	1
Other reserves		22,294	-
Profit and loss account		3,642	1,640
		<u>25,937</u>	<u>1,641</u>

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**R&G FLUID POWER GROUP LIMITED**  
**REGISTERED NUMBER: 10404128**

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**BALANCE SHEET (CONTINUED)**  
**AS AT 30 SEPTEMBER 2022**

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The members have not required the Company to obtain an audit for the period in question in accordance with section 476 of the Companies Act 2006.

The Company was entitled to exemption from audit under section 479a of Companies Act 2006.

The directors acknowledge their responsibilities for complying with the requirements of the Companies Act 2006 with respect to accounting records and the preparation of financial statements.

The Company's financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime.

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 27 June 2023.



**R Davies**  
Director

The notes on pages 10 to 24 form part of these financial statements.

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**R&G FLUID POWER GROUP LIMITED**

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**STATEMENT OF CHANGES IN EQUITY  
FOR THE PERIOD ENDED 30 SEPTEMBER 2022**

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	Called up share capital £000	Other reserves £000	Profit and loss account £000	Total equity £000
<b>At 1 January 2021</b>	1	-	1,550	1,551
<b>Comprehensive income for the year</b>				
Profit for the year	-	-	1,092	1,092
<b>Contributions by and distributions to owners</b>				
Dividends	-	-	(1,002)	(1,002)
<b>At 31 December 2021</b>	1	-	1,640	1,641
<b>Comprehensive income for the period</b>				
Profit for the period	-	-	2,002	2,002
<b>Contributions by and distributions to owners</b>				
Capital contributions (note 17)	-	22,294	-	22,294
<b>At 30 September 2022</b>	1	22,294	3,642	25,937

The notes on pages 10 to 24 form part of these financial statements.

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## **R&G FLUID POWER GROUP LIMITED**

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### **NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2022**

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#### **1. General information**

The Company is a private company, limited by shares, incorporated and domiciled in the United Kingdom under Companies Act 2006 and registered in England and Wales. The address of the registered office is 10-11 Charterhouse Square, London, EC1M 6EE. The Company is part of a UK listed group with all revenue originating in the UK therefore the Company's functional currency is UK Sterling. The Company's financial statements are presented in UK Sterling and all values are rounded to the nearest thousand pounds (£000), except where otherwise indicated.

The financial statements contain information about the Company as an individual company and do not include consolidated financial information as the parent company of a group of companies. The Company is exempt under section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included in the consolidated financial statements of its ultimate parent undertaking, Diploma PLC, a company registered in England and Wales.

#### **2. Accounting policies**

##### **2.1 Basis of preparation of financial statements**

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied:

##### **2.2 Financial Reporting Standard 102 - reduced disclosure exemptions**

The Company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Diploma PLC as at 30 September 2022 and these financial statements may be obtained from [www.diplomaplc.com](http://www.diplomaplc.com).

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## R&G FLUID POWER GROUP LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2022

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#### 2. Accounting policies (continued)

##### 2.3 Going concern

At 30 September 2022, the Company had net assets of £25,937,000 (At 31 December 2021: £1,641,000). The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future.

The going concern position of the Company is linked to that of the wider Group due to the cross guarantees on financing given by a number of Group companies as well as the provision of a letter of financial support from the ultimate parent company, Diploma PLC in respect of the going concern status of various Group companies.

The Group's balance sheet is strong and working capital is well controlled. On 13 October 2020, the Group entered into a debt facility agreement (SFA) which comprised a three-year term loan for an aggregate principal amount of £136.0m (\$170.0m) and a committed multi-currency revolving facility for an aggregate principal amount of £135.0m, which was increased to £185.0m during the previous financial year.

During the year the Group has amended the SFA to increase the total facility size. As at 30 September 2022, the SFA comprises a committed multi-currency revolving facility for an aggregate principal amount of £359.7m, an amortising term loan for an aggregate principal amount of £114.2m (\$127.5m), a bullet term loan for an aggregate principal amount of £59.1m (\$66.0m) and a further bullet term loan for an aggregate principal amount of £45.3m. The SFA is due to expire in December 2024 and there is an option to extend for a further 12-month period.

The Group's debt facilities are subject to interest at variable rates. During the year, the Group entered into interest rate swap contracts with the effect of fixing the interest rate on \$100m (£89.6m) of debt. The effective fixed rate debt was 24% as a proportion of total debt. Subsequent to the year end, the Group entered into further interest rate swap contracts with the effect of fixing the interest rate on an additional \$100m of debt.

At 30 September 2022, the Group's Net Debt/EBITDA was 1.4x, and year end headroom was £204m. The Group continues to operate against a backdrop of macroeconomic disruption, including widespread global inflation, rising interest rates and the continued uncertainty of the Covid-19 pandemic, in particular its lasting impact on global supply chains. Accordingly, the Directors have again considered a more comprehensive going concern view than in previous years. The Group has considerable financial resources, together with a broad spread of customers and suppliers across different geographic areas and sectors, often secured with longer term agreements. As a consequence, the Directors believe that the Group is well placed to manage its business risks successfully as described in the strategic report.

Diploma PLC, the ultimate parent company of the Company has provided a letter of support to the Company for a period of at least twelve months from the date of these financial statements confirming that it will provide adequate financial support to the Company to allow the Company to meet its financial obligations as they fall due.

The Directors of the Company are satisfied that there are no material events or uncertainties that they are aware of which will impact the ability of the Company to continue as a going concern. Accordingly, the financial statements have been prepared on a going concern basis.

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## R&G FLUID POWER GROUP LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2022

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#### 2. Accounting policies (continued)

##### 2.4 Goodwill

Goodwill represents the excess of the cost of a business combination over the total acquisition date fair value of the identifiable assets, liabilities and contingent liabilities acquired. Cost comprises the fair value of assets given and liabilities assumed.

Goodwill is considered to have a finite useful life and is amortised on a systematic basis over its expected life, which is five years.

##### 2.5 Operating leases: the Company as lessee

Rentals paid under operating leases are charged to profit or loss on a straight-line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight-line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

##### 2.6 Interest income

Interest income is recognised in profit or loss using the effective interest method.

##### 2.7 Pensions

###### Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in profit or loss when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the Company in independently administered funds.

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## R&G FLUID POWER GROUP LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2022

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#### 2. Accounting policies (continued)

##### 2.8 Current and deferred taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

##### 2.9 Intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

*At each reporting date the company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.*

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

##### 2.10 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.



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## R&G FLUID POWER GROUP LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2022

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#### 2. Accounting policies (continued)

##### 2.10 Tangible fixed assets (continued)

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, on a reducing balance basis.

Depreciation is provided on the following basis:

Plant and machinery	-	15% Reducing balance method
Motor vehicles	-	25% Reducing balance method

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

##### 2.11 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

##### 2.12 Debtors

Short-term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

##### 2.13 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

##### 2.14 Creditors

Short-term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

##### 2.15 Financial instruments

The Company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or in

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## R&G FLUID POWER GROUP LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2022

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#### 2. Accounting policies (continued)

##### 2.15 Financial instruments (continued)

case of an out-right short-term loan that is not at market rate, the financial asset or liability is measured, initially at the present value of future cash flows discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost, unless it qualifies as a loan from a director in the case of a small company, or a public benefit entity concessionary loan.

Investments in non-derivative instruments that are equity to the issuer are measured:

- at fair value with changes recognised in the Profit and Loss Account if the shares are publicly traded or their fair value can otherwise be measured reliably;
- at cost less impairment for all other investments.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Profit and Loss Account.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the balance sheet date.

Financial assets and liabilities are offset and the net amount reported in the Balance Sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

##### 2.16 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

#### 3. Judgments in applying accounting policies and key sources of estimation uncertainty

The application of the Company's accounting policies requires the use of management judgement and estimation, which often involves assumptions regarding future events which can vary from what is anticipated. The preparation of the Company's financial statements does not require management to make any critical accounting judgements, assumptions or estimates with regard to assets or liabilities that could potentially have a material adjustment to the carrying amount of assets or liabilities in the next 12 months.

The Directors believe that the financial statements reflect appropriate judgements and estimates and provide a true and fair view of the Company's performance and financial position.

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**R&G FLUID POWER GROUP LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 30 SEPTEMBER 2022**

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**4. Employees**

	<b>9 month period ended 30 September 2022 £000</b>	<b>Year ended 31 December 2021 £000</b>
Wages and salaries	1,081	1,192
Cost of defined contribution scheme	20	22
	<u>1,101</u>	<u>1,214</u>

The average monthly number of employees, including the directors, during the period was as follows:

	<b>9 month period ended 30 September 2022 No.</b>	<b>Year ended 31 December 2021 No.</b>
Management	4	4
Admin & Warehouse	19	16
	<u>23</u>	<u>20</u>

**5. Directors' remuneration**

	<b>2022 £000</b>	<b>2021 £000</b>
Directors' emoluments	237	250
	<u>237</u>	<u>250</u>

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**R&G FLUID POWER GROUP LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 30 SEPTEMBER 2022**

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**6. Taxation**

	9 month period ended 30 September 2022 £000	Year ended 31 December 2021 £000
<b>Corporation tax</b>		
Current tax on profits for the year	(58)	-
	<u>(58)</u>	<u>-</u>
<b>Total current tax</b>	<u>(58)</u>	<u>-</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	(23)	136
	<u>(23)</u>	<u>136</u>
<b>Total deferred tax</b>	<u>(23)</u>	<u>136</u>
<b>Taxation on (loss)/profit on ordinary activities</b>	<u>(81)</u>	<u>136</u>

**Factors affecting tax charge for the period/year**

The tax assessed for the period/year is lower than (2021 - lower than) the standard rate of corporation tax in the UK of 19% (2021 - 19%). The differences are explained below:

	9 month period ended 30 September 2022 £000	Year ended 31 December 2021 £000
Profit on ordinary activities before tax	1,921	1,228
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2021 - 19%)	365	306
<b>Effects of:</b>		
Non deductible expenses	71	191
Dividends from UK companies	(517)	(361)
<b>Total tax (credit)/charge for the period/year</b>	<u>(81)</u>	<u>136</u>

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**R&G FLUID POWER GROUP LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 30 SEPTEMBER 2022**

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**6. Taxation (continued)**

**Factors that may affect future tax charges**

The rate of corporation tax will raise to 25% from 1 April 2023, as enacted by the Finance Act 2021. Profits earned in financial year 2023 will be subject to taxation at a hybrid rate of 22% and subsequent financial periods thereafter will be taxed at 25%.

**7. Deferred taxation**

	<b>2022</b> <b>£000</b>	<i>2021</i> <i>£000</i>
At beginning of year	(176)	(176)
Credited to profit or loss	23	-
<b>At end of year</b>	<u>(153)</u>	<u>(176)</u>

The provision for deferred taxation is made up as follows:

	<b>30</b> <b>September</b> <b>2022</b> <b>£000</b>	<i>31</i> <i>December</i> <i>2021</i> <i>£000</i>
Accelerated capital allowances	(153)	(176)
	<u>(153)</u>	<u>(176)</u>

**8. Dividends**

	<b>9 month</b> <b>period</b> <b>ended 30</b> <b>September</b> <b>2022</b> <b>£000</b>	<i>Year ended</i> <i>31</i> <i>December</i> <i>2021</i> <i>£000</i>
Dividends	-	1,002
	<u>-</u>	<u>1,002</u>

Dividends were not declared for the 9 month period ended 30 September 2022. (Year ended 31 December 2021: £1,259.09 per ordinary share).

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R&G FLUID POWER GROUP LIMITED

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 30 SEPTEMBER 2022

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9. Intangible assets

	Computer software £000
At 1 January 2022	180
Disposals	(180)
At 30 September 2022	-
<b>Net book value</b>	
At 30 September 2022	-
At 31 December 2021	180

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**R&G FLUID POWER GROUP LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 30 SEPTEMBER 2022**

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**10. Tangible fixed assets**

	<b>Plant and machinery £000</b>	<b>Motor vehicles £000</b>	<b>Total £000</b>
<b>Cost</b>			
At 1 January 2022	718	329	1,047
Additions	373	54	427
At 30 September 2022	<u>1,091</u>	<u>383</u>	<u>1,474</u>
<b>Depreciation</b>			
At 1 January 2022	60	55	115
Charge for the period	108	48	156
At 30 September 2022	<u>168</u>	<u>103</u>	<u>271</u>
<b>Net book value</b>			
At 30 September 2022	<u>923</u>	<u>280</u>	<u>1,203</u>
At 31 December 2021	<u>657</u>	<u>274</u>	<u>931</u>

At the reporting end date the company had assets on finance or under HP of £604,000 (31 December 2021: £649,000).

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**R&G FLUID POWER GROUP LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 30 SEPTEMBER 2022**

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**11. Investments**

	<b>Investments in subsidiary companies £000</b>
<b>Cost or valuation</b>	
At 1 January 2022	16,669
Additions	8,683
At 30 September 2022	<u>25,352</u>

Investments in subsidiary companies have increased by £8,683,000 during the period as a result of acquiring 100% of the share capital of Lancashire Hose & Fittings Limited (1 March 2022), Hydraulic & Offshore Supplies Limited (22 March 2022), Rubberlast Limited (24 March 2022), Hydraproducts Limited (12 May 2022), AMG Sealing (19 May 2022), as well as the remaining 50% of Merseyflex Limited (28 January 2022), taking the Company's interest in Merseyflex Limited up to 100%.

The carrying values of the investments are supported by the underlying assets and a full list of subsidiary undertakings is shown in note 20.

**12. Debtors**

	<b>30 September 2022 £000</b>	<b>31 December 2021 £000</b>
Trade debtors	625	320
Amounts owed by group undertakings	9,023	5,960
Other debtors	1,592	83
Called up share capital not paid	1	1
Prepayments and accrued income	899	39
	<u>12,140</u>	<u>6,403</u>



**R&G FLUID POWER GROUP LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 30 SEPTEMBER 2022**

**13. Cash and cash equivalents**

	<b>30 September 2022 £000</b>	<b>31 December 2021 £000</b>
Cash at bank and in hand	-	169
Less: bank overdrafts	(923)	(649)
	<u>(923)</u>	<u>(480)</u>

**14. Creditors: Amounts falling due within one year**

	<b>30 September 2022 £000</b>	<b>31 December 2021 £000</b>
Bank loans and overdrafts	923	649
Trade creditors	329	64
Amounts owed to group undertakings	6,832	4,678
Other taxation and social security	157	116
Obligations under finance lease and hire purchase contracts	45	216
Other creditors	458	2,491
Accruals and deferred income	59	128
	<u>8,803</u>	<u>8,342</u>

**15. Creditors: Amounts falling due after more than one year**

	<b>30 September 2022 £000</b>	<b>31 December 2021 £000</b>
Bank loans	-	2,288
Net obligations under finance leases and hire purchase contracts	559	433
Amounts owed to group undertakings	2,797	6,194
Other creditors	446	5,278
	<u>3,802</u>	<u>14,193</u>

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## R&G FLUID POWER GROUP LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2022

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#### 16. Share capital

	30 September 2022 £000	31 December 2021 £000
<b>Allotted, called up and fully paid</b>		
1,100 (2021 - 1,100) Ordinary Share Capital shares of £1.00 each	1	1

#### 17. Reserves

##### Other reserves

The balance in the other reserves as at 30 September 2022 was £22,294,000 (December 2021: £Nil). In the period, a capital contribution was made by the parent, R&G Fluid Power Holdings Limited, to the Company to enable the repayment of the debt as part of the acquisition of the company by Diploma PLC.

#### 18. Finance lease commitments

At the reporting end date the company had outstanding finance lease commitments of £604,000 (31 December 2021: £649,000).

#### 19. Controlling party

On 6 April 2022, 100% of the share capital of R&G Fluid Power Group Limited, was acquired by R&G Fluid Power Holdings Limited, a company registered in England and Wales and under the ultimate ownership of Diploma PLC.

Subsequent to 6 April 2022, The Company's ultimate parent undertaking and ultimate controlling party is Diploma PLC, a company incorporated in the United Kingdom and registered in England and Wales, which is the smallest and largest group into which the results of the Company are consolidated.

Copies of the Group's financial statements are available from Diploma PLC, 10-11 Charterhouse Square, London, England, EC1M 6EE.

#### 20. Subsidiaries

	Class of shares held	Holding %
Century Hose Limited	1 Ordinary	100
Flexicon Industrial Supplies Limited	Ordinary	100
Industrial Hose & Pipe Fittings Limited	Ordinary	100
Integraflex Ltd	Ordinary	100
Millennium Coupling Company Ltd*	Ordinary	100

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## R&G FLUID POWER GROUP LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2022

Millennium Engineering (2012) Ltd	Ordinary	100
One Stop Sealing Limited*	Ordinary	100
Northern Hose & Hydraulics Limited*	Ordinary	100
Fluid Power Products Limited*	Ordinary	100
R&G Investments Limited*	Ordinary	100
Pneumatic Services Limited*	Ordinary	95
Pennine Pneumatic Services Limited	Ordinary	95
Hyphose Limited*	Ordinary	100
Pearson Hose & Hydraulics Limited*	Ordinary	100
Pressurelines Hose & Hydraulics Limited	Ordinary	100
Exeter Hose & Hydraulics Limited	Ordinary	100
Somerset Hose & Hydraulics Limited	Ordinary	100
North Devon Hose & Hydraulics Limited	Ordinary	100
West Cornwall Hose & Hydraulics Limited	Ordinary	100
Henry Gallacher Limited*	Ordinary	100
Intrico Products Limited	Ordinary	100
Pearson Hydraulics Limited*	Ordinary	100
Rubberfast Limited*	Ordinary	100
Global Hydraulic Services Limited	Ordinary	100
Grimsby Hydraulic Services Limited*	Ordinary	100
GHS limited	Ordinary	100
Fluidair Power Limited	Ordinary	100
Norman Walker (Machinery) Limited	Ordinary	95
Compcon Limited	Ordinary	95
Rubberlast Limited	Ordinary	100
Hydraproducts Limited	Ordinary	100
Lancashire Hose & Fittings Limited	Ordinary	100
Hydraulic & Offshore Supplies Limited	Ordinary	100
Hose & Hydraulics Group Limited*	Ordinary	100
AMG Sealing Limited	Ordinary	100
AMG Brighthouse Limited	Ordinary	100

Registered office addresses: 10-11 Charterhouse Square, London, EC1M 6EE

1. Century Hose Limited Limited is 30% directly & 70% indirectly held.

\* Indicates that entity is directly held