

Fluidpower Group UK Limited

Annual Report and Financial Statements

Registered number 01672034

31 December 2021



Fluidpower Group UK Limited

Company Information

Directors	Bryce Brooks John Farmer (resigned 12 March 2021) Russell Cash
Registered number	01672034
Registered office	Bollin House Riverside Business Park Wilmslow SK9 1DP
Independent auditor	Grant Thornton UK LLP Chartered Accountants and Statutory Auditors Landmark St Peter's Square 1 Oxford Street Manchester M1 4PB

Contents

Strategic Report	1
Directors' Report	4
Directors' Responsibility Statement	6
Independent auditor's report to the members of Fluidpower Group UK Limited	Error! Bookmark not defined.
Income Statement	11
Statement of Financial Position	12
Statement of Changes in Equity	14
Notes to the Financial Statements	15

Strategic Report

Introduction

The Directors' present their Strategic Report of Fluidpower Group UK Limited (the "Company") for the year ended 31 December 2021. The Company's principal activity is the purchasing and distribution of fluid power components, principally within the UK and Ireland.

Prior year adjustment

The financials for last year have been restated to reflect the correct treatment for dividend from subsidiary £2.1m and the related investment balance as detailed in Note 19. The restatement has resulted in prior year profit being reduced by £2.1m to £2.9m. Comparatives in this report refer to restated values for last year.

Business review

The Company's sales increased by 30.8% from the previous year to £72.0m (2020: £55.1m). Of this increase, £7.6m is due to the full year impact of Primary components and Derek Lane businesses hived up into the Company during FY 20. The remaining £9.3m increase is a result of organic growth, as the company recovers from the COVID-19 pandemic. Gross profit margin for the year was 35.2% (2020: 34.7%), reflecting the ability of the business to pass on cost inflation to customers, the operating profit was £6.4m (2020: £2.0m). The Directors believe this represents a very satisfactory performance given the challenging trading conditions experienced during the year.

The net assets of the company increased to £55.2m (2020: £50.3m). Net profit generated during 2021 was £5.6m (2020: £2.9m). Dividends of £3.0m (2020: £7.5m) were paid to the parent company, resulting in an increase in net assets of £4.7m (2020: -4.2m).

Principal risks and uncertainties

The business has built up substantial stock in response to supply chain constraints. The company has managed the impact of costs inflation by ensuring back-to-back increases in selling prices. The business is also building a strong online presence by building unified e-commerce architecture across its brands, along with the launch of a unified Flowtech brand in early 2022. These measures should help position the business favourably with respect to risks in supply chain and economic outlook.

Section 172 Statement

In accordance with Section 172 of the Companies Act 2006 (S172) the Directors, collectively and individually, confirm that during the year ended 31 December 2021, they have acted in good faith and have upheld their 'duty to promote the success of the Company' to the benefit of its members, with consideration to its wider stakeholders.

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

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

Strategic Report (*Continued*)

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

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

Colleagues

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

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

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

Suppliers

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

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

Customers

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

Strategic Report (*Continued*)

War in Ukraine

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

Key performance indicators

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

Key performance indicator	2021	2020
Sales	72,025,658	55,057,803
Gross margin	25,323,167	19,110,618
EBITDA *	7,501,898	4,048,383
Average gross profit per working day **	101,699	76,749

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



Russell Cash
Director
29 September 2022

*EBITDA is calculated as operating profit of £5,906,265 add back depreciation for fixed assets of £807,296 and right of use assets of £833,695.

** Average Gross profit per working day is the gross profit for the year of £25,323,167 divided by 249 which is the number of trading days in the period.

Directors' Report

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

Directors

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

Bryce Brooks
John Farmer (resigned 12 March 2021)
Russell Cash

Dividends

Dividends paid during the period were £3,000,000 (2020: £7,500,000), the Directors do not recommend a final dividend.

Financial instruments

The Company finances its activities with a combination of inter group loans, cash and short term deposits, as disclosed in notes 18 and 19. Other financial assets and liabilities, such as trade debtors and trade creditors, arise directly from the Company's operating activities. The main currency related risk to the Company comes from purchasing of stocks, sales denominated in USD or Euro, and from transactions with other group foreign operations. The Company purchases foreign currency as necessary on a spot basis. The net exposure at the end of 31 Dec 21 to Euro was a net receivable of £2,359,353 (2020: a net payable of £1,207,709), and to USD was a net receivable of £841 (2020: a net payable of £640,224).

Environment

The Company recognises the importance of its environmental responsibilities and operates in accordance with policies agreed through a Health and Safety Committee and a Staff Consultative Committee. Initiatives designed to minimise the Company's impact on the environment include the recycling of waste where practical.

Employees

Details of the number of employees and related costs can be found in note 6 to the Financial Statements. The Company is committed to providing staff and management with training designed to develop attitudes and skills and give opportunities for advancement. The Company promotes good communication and consultation with regular management meetings, staff briefings, and a Staff Consultative Committee to involve staff in the progress of the Company and its future.

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

It is the policy of the Company that no employee, or potential employee, is not discriminated against on the grounds of disability, age, race, religion, sex, sexual orientation or political belief and to offer the same employment opportunities, training, career development and promotion prospects to all.

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

Directors' Report *(Continued)*

Subsequent events

There are no post balance sheet events.

Going concern

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

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

Auditor

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

Engagement with other stakeholders

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

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

Directors' Responsibility Statement

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

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

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors confirm that:

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

To the best of our knowledge:

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

By order of the Board

Russell Cash

Russell Cash
Director
29 September 2022

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

Opinion

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

In our opinion, the financial statements:

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

Basis for opinion

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

Conclusions relating to going concern

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

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

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

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

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

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

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

Matters on which we are required to report by exception

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

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

Responsibilities of directors for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

We obtained an understanding of the legal and regulatory frameworks applicable to the company, and the industry in which it operates. We determined the Companies Act 2006 and FRS101 to be the most significant laws and regulations to the entity. We enquired of management whether there were any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected fraud. We corroborated the results of our enquiries to supporting documentation such as board minute reviews. From the procedures performed we did not identify any matters relating to non-compliance with laws and regulation or matters in relation to fraud.

We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur. Audit procedures performed by the engagement team included:

- evaluation of the processes and controls established to address the risks related to irregularities and fraud;
- testing journal entries, in particular journal entries relating to management estimates and entries determined to be large or relating to unusual transactions;
- identifying and testing related party transactions.

These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it;

The assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's knowledge of the industry in which the client operates in and understanding of, and practical experience through training and participation with audit engagements of a similar nature;

In assessing the potential risks of material misstatement, we obtained an understanding of:

- The company's operations, including the nature of its revenue sources, expected financial statement disclosures and business risks that may result in risk of material misstatement and
- the company's control environment including the adequacy of procedures for authorisation of transactions.

Fluidpower Group UK Limited
Registered number 01672034
Annual Report and Financial Statements
31 December 2021

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 UK LLP

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

Income Statement

for the year ended 31 December 2021

	Note	2021 £	2020 Restated (*) £
Turnover	3	72,025,658	55,057,803
Cost of sales		(46,702,491)	(35,947,185)
Gross profit		25,323,167	19,110,618
Distribution costs		(3,522,213)	(3,007,413)
Administrative expenses		(15,432,085)	(14,701,029)
Other operating income	4	35,396	629,784
Operating profit	5	6,404,265	2,031,960
Dividend income	7	-	1,265,606
Interest payable and similar cost	8	(165,322)	(165,586)
Profit on ordinary activities before taxation		6,238,943	3,131,980
Tax expense	9	(610,045)	(146,371)
Profit for the financial year		5,628,898	2,985,609

(*)Results for 2020 are re-stated to correct an error in treatment of dividend income and investment in subsidiaries as detailed in Note 21.

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

All turnover and operating profits are derived from continuing operations.

The notes form part of the financial statement and are set out on pages 15 to 37.

Statement of Financial Position

at 31 December 2021

	Note	2020 £	2020 Restated (*) £
Fixed assets			
Goodwill	11	16,995,589	16,995,589
Intangible assets	12	761,031	3,200
Tangible assets	13	4,674,338	4,555,375
Right of use assets	24	4,593,369	5,187,354
Investments	14	2,381,376	234,284
Total fixed assets		29,405,703	26,975,802
Current assets			
Stocks	15	22,076,420	15,326,060
Trade and other debtors	16	65,181,552	69,774,960
Cash and cash equivalents	17	2,686,963	7,667,414
Total current assets		89,944,935	92,768,434
Creditors: amounts falling due within one year			
Trade and other creditors	19	58,393,101	63,506,571
Lease liability	24	783,333	738,137
Tax payable		233,737	-
Total creditors: amounts falling due within one year		59,410,171	64,244,708
Net current assets		30,534,764	28,523,726
Total assets less current liabilities		59,940,467	55,499,528
Creditors: amounts falling due after one year			
Lease liability	24	3,973,355	4,647,393
Provisions for liabilities	20	131,152	110,726
Deferred tax liabilities	9	684,163	353,675
Total creditors: amounts falling due after one year		4,788,670	5,111,794
Net assets		55,151,797	50,387,734
Capital and reserves			
Share capital	22	112	112
Share premium account		9,974	9,974
Share-based payment reserve		(3,830)	8,097
Capital contribution		752,127	752,127
Retained earnings		54,393,414	49,617,424
Total equity		55,151,797	50,387,734

(*)Results for 2020 are re-stated to correct an error in treatment of dividend income and investment in subsidiaries as detailed in Note 21.

Registered Company Number 01672034. The notes form part of the financial statements and are set out on pages 15 to 37.

Fluidpower Group UK Limited
Registered number 01672034
Annual Report and Financial Statements
31 December 2021

The Financial Statements on pages 11 to 37 were approved by the Directors on 29 September 2022 and were signed by:

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

Statement of Changes in Equity
for the year ended 31 December 2021

	Share capital £	Share premium £	Share-based payment reserve £	Capital contribution £	Retained earnings £	Total Equity £
Balance at 1 January 2020	112	9,974	8,097	538,250	54,127,973	54,684,406
Profit for the year (Restated *)	-	-	-	-	2,985,609	2,985,609
Other comprehensive income	-	-	-	-	3,842	3,842
Total comprehensive income for the year	-	-	-	-	2,989,451	2,989,451
Transactions with owners						
Capital contribution	-	-	-	213,877	-	213,877
Share-based payment charge	-	-	-	-	-	-
Share options settled	-	-	-	-	-	-
Purchase of minority shares	-	-	-	-	-	-
Equity dividends paid (note 10)	-	-	-	-	(7,500,000)	(7,500,000)
Total transactions with owners	-	-	-	213,877	(7,500,000)	(7,286,123)
Balance at 1 January 2021 (Restated *)	112	9,974	8,097	752,127	49,617,424	50,387,734
Profit for the year	-	-	-	-	5,628,898	5,628,898
Total comprehensive income for the year	-	-	-	-	5,628,898	5,628,898
Transactions with owners						
Share-based payment charge	-	-	(11,927)	-	-	(11,927)
Equity dividends paid (note 10)	-	-	-	-	(3,000,000)	(3,000,000)
Total transactions with owners	-	-	(11,927)	-	(3,000,000)	(3,011,927)
Balance at 31 December 2021	112	9,974	(3,830)	752,127	54,246,322	53,004,705

The notes form part of the financial statements and are set out on pages 15 to 37.

(*)Results for 2020 are re-stated to correct an error in treatment of dividend income and investment in subsidiaries as detailed in Note 21.

Notes to the Financial Statements

for the year ended 31 December 2021

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

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

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

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

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

2 Accounting policies

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

2.1 Basis of preparation

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

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

- (a) the requirements of paragraphs 45(b) and 46-52 of "IFRS 2 Share based Payment", as the share based payment arrangement concerns the instruments of another group entity;
- (b) the requirement in paragraph 38 of IAS 1 "Presentation of Financial Statements" to present comparative information in respect of:
 - (i) paragraph 79(a)(iv) of IAS 1;
 - (ii) paragraph 73(e) of IAS 16 "Property, Plant and Equipment";
- (c) the requirements of paragraphs 10(d) and 134-136 of IAS 1 "Presentation of Financial Statements" and the requirements of IAS 7 "Statement of Cash Flows";
- (d) the requirements of paragraphs 30 and 31 of IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors";
- (e) the requirements of paragraph 17 of IAS 24 "Related Party Disclosures" to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which as a party to the transaction is wholly owned by such a member;
- (f) disclosure requirements of IFRS 7 'Financial Instruments'.

Notes to the financial statements

for the year ended 31 December 2020

2 Accounting policies (continued)

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

2.2 Going Concern

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

The Company generated a net profit of £5,628,898 for the year (2020: £2,985,609).

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

The Company participates in the Group's centralised treasury arrangements and so shares banking arrangements with its parent and fellow subsidiaries. The Group has banking facilities, with £20m aggregate RCF facilities in place until November 2023. In addition, the Group also has access to £5m overdraft facilities. In the normal course of administering these facilities, we will be entering discussions with lender to refinance or extend the term in the near future with no issues expected.

The Directors have prepared forecasts covering the period to September 2023. Naturally, these forecasts include a number of key assumptions notably relating, inter alia, to revenue, margins, costs and working capital balances. The Directors believe the business will continue to operate within its agreed banking facilities and comply with all banking covenants. As such the Group therefore continues to adopt the going concern basis in preparing its financial statements.

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

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

2.3 New standards, amendments, and new relevant disclosure requirements

There are no amendments to accounting standards that are effective for the year ended 31 December 2021 that have a material impact on the company's financial statements.

Notes to the financial statements

for the year ended 31 December 2021

2 Accounting policies (continued)

2.4 Significant judgements, key assumptions and estimates

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

Significant management judgements

There were no significant judgements during this accounting period.

Significant management estimates

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

Provision for impairment of stock

The carrying value of stocks as at 31 December 2021 is £22,076,420 (2020: £15,326,060) and included a provision against the stocks of £935,559 (2020: £1,214,910). During the year £233,199 (2020: £602,974) of the provision was utilised. The provision for impairment of stocks is based on sales trends for all stock and management's estimation of recoverability. There is a risk that the provision will not match the stocks that ultimately prove to be impaired.

Impairment of goodwill

The carrying value of goodwill must be assessed for impairment annually. This requires an estimation of the value in use of the cash generating units (CGUs) to which goodwill is allocated. Value in use is dependent on estimations of future cash flows from the CGUs and use of an appropriate discount rate to discount those cash flows to their present value. The carrying value of goodwill as at 31 December 2021 is £16,995,589 (2020: £16,995,589). Refer to note 11 for further detail. There was no impairment charge during the year.

2.5 Financial instruments

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

Notes to the financial statements

for the year ended 31 December 2021

2 Accounting policies (continued)

Trade and other debtors

Trade and other receivables are recognised initially at the transaction price in accordance with IFRS 15.

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

Trade and other creditors

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

Cash and cash equivalents

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

Interest-bearing borrowings

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

Derivative financial instruments

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

Derecognition of financial liabilities

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

2.6 Investments

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

Notes to the financial statements

for the year ended 31 December 2021

2 Accounting policies (continued)

2.7 Tangible fixed assets and depreciation

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

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

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

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

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

2.8 Intangible assets

Goodwill

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

Acquired intangibles

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

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

Notes to the financial statements

for the year ended 31 December 2021

2 Accounting policies (continued)

Website development costs

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

2.9 Stocks

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

2.10 Employee benefits - defined contribution plans

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

2.11 Revenue

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

2.12 Cost of sales

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

Notes to the financial statements

for the year ended 31 December 2021

2 Accounting policies (continued)

2.13 Other income

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

2.14 Taxation

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

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

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

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

2.15 Provisions

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

2.16 Foreign currency translation

Functional and presentation currency

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

Foreign currency transactions and balances

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

Notes to the financial statements

for the year ended 31 December 2021

2 Accounting policies (continued)

Currency risks

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

2.17 Equity, reserves and dividend payments

Equity comprises the following:

"Share capital" represents the nominal value of equity shares

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

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

"Retained earnings" represent retained earnings of the Company

"Capital contribution" represents shares issued in parent company

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

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

2.18 Right of use assets and liabilities

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

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

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

Notes to the financial statements

for the year ended 31 December 2021

2 Accounting policies (continued)

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

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

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

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

Extension and termination options

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

Critical judgements in determining the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

No potential future cash outflows have been included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

Residual value guarantees

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

Estimating the amount payable under residual value guarantees

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

Notes to the financial statements

for the year ended 31 December 2021

3 Turnover

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

	2021 £	2020 £
United Kingdom	66,800,018	50,899,539
Europe	2,674,648	2,783,262
Rest of World	2,550,992	1,375,002
Total turnover	72,025,658	55,057,803

	2021 £	2020 £
Sale of goods	70,977,263	53,777,738
Delivery income	1,048,395	1,280,065
Total turnover	72,025,658	55,057,803

4 Other operating income

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

5 Operating profit

This is stated after charging/(crediting):

	2021 £	2020 £
(Gain) from reversal of/Impairment loss on trade debtors	(22,331)	(14,926)
Loss on foreign currency transactions	26,368	150,173
Impairment (gain)/loss on stock	(46,152)	649,947
Depreciation of property, plant and equipment held under right of use assets (Note 24)	833,695	761,222
Depreciation of owned tangible fixed assets (Note 13)	807,296	717,492
Amortisation of intangible assets (Note 12)	3,200	38,400
(Profit)/loss on sale of tangible fixed assets	(2,081)	178,690
Repairs and maintenance expenditure on tangible fixed assets	59,243	59,116
Auditor's remuneration		
Audit fees are borne by another group undertaking.	99,760	-

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

Notes to the financial statements

for the year ended 31 December 2021

6 Staff costs and Directors' remuneration

	2021 £	2020 £
Staff costs		
Wages and salaries	8,992,849	7,763,013
Social security costs	842,005	747,480
Contributions to defined contribution pension plans	253,538	209,811
Total staff costs	10,088,392	8,720,304

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

	2021 Number	2020 Number
Distribution	163	174
Administration	179	137
Total number	342	311

	2021 £	2020 £
Directors' remuneration		
Remuneration	-	332,685
Contributions to defined contribution pension plans	-	50,297
Benefits in kind	-	22,280
Total Directors' remuneration	-	405,262

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

The amounts set out above include remuneration in respect of the highest paid Director as follows:

	2021 £	2020 £
Highest paid Director's remuneration		
Remuneration	-	152,709
Contributions to defined contribution pension plans	-	45,520
Benefits in kind	-	12,565
Total highest paid Director's remuneration	-	210,794

7 Dividend Income

	2021 £	2020 Restated (*) £
Dividend income	-	1,265,606
Total dividend income	-	1,265,606

(*)Results for 2020 are re-stated to correct an error in treatment of dividend income and investment in subsidiaries as detailed in Note 21.

Notes to the financial statements

for the year ended 31 December 2021

8 Interest payable and similar cost

	2021 £	2020 £
Interest payable and similar cost		
Lease interest under IFRS 16	165,322	161,405
Other credit related interest	70	4,181
Total interest payable and similar cost	165,392	165,586

9 Taxation

a) Tax charged in the income statement

	2021 £	2020 £
Current tax		
UK corporation tax payable	451,843	32,166
Adjustment in respect of prior year	(172,285)	33,283
Total current tax	279,558	65,449
Deferred tax		
Origination and reversal of temporary differences	159,561	130,331
Adjustments in respect of prior periods	45,021	(75,716)
Change in tax rate	125,905	26,307
Total deferred tax	330,487	80,922
Total tax expense	610,045	146,371

b) Reconciliation of the total tax charge

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

	2021 £	2020 Restated (*) £
Profit before taxation	6,238,943	3,131,980
Tax calculated at the UK standard rate of corporation tax of 19% (2020: 19%)	1,185,399	595,077
Timing differences not recognised in the computation	(608)	61,490
Impact of change in tax rate	164,266	26,307
Amounts not deductible	13,443	190,696
Adjustment in respect of prior years	(268,007)	33,283
Under/(over) provided in prior years – deferred tax	45,021	(75,716)
Other adjustments	32,935	23,071
Income not taxable	-	(246,690)
Group relief	(562,404)	(461,147)
Total tax expense	610,045	146,371

(*)Results for 2020 are re-stated to correct an error in treatment of dividend income and investment in subsidiaries as detailed in Note 21.

Notes to the financial statements

for the year ended 31 December 2021

9 Taxation (continued)

c) Change in corporation tax rate

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

d) Deferred tax

	Assets		Liabilities	
	2021	2020	2021	2020
	£	£	£	£
Intangible assets	-	-	-	(7,904)
Tangible fixed assets	-	-	(697,503)	(397,841)
Provisions	13,340	52,070	-	-
Tax assets/(liabilities)	13,340	52,070	(697,503)	(405,745)
Net deferred tax liability			(684,163)	(353,675)

Movement in deferred tax during the year ended 31 December 2021

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

Movement in deferred tax during the year ended 31 December 2020

	1 January 2020	Acquired in year	Recognised in income	31 December 2020
	£	£	£	£
Intangible assets	3,808	-	4,096	7,904
Tangible fixed assets	344,182	23,970	29,690	397,842
Provisions	(36,314)	-	(15,756)	(52,070)
Employee benefits	(62,893)	-	62,893	-
	248,783	23,970	80,923	353,676

Notes to the financial statements

for the year ended 31 December 2021

10 Dividends paid and proposed

	2021 £	2020 £
Declared and paid during the year		
Equity dividends of £300 per A ordinary share (2020: £750)	3,000,000	7,500,000
Total dividends paid	3,000,000	7,500,000

No dividends are proposed at the end of the period.

11 Goodwill

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

	2021 £
Cost	
At 1 January 2021	16,995,589
At 31 December 2021	16,995,589
Accumulated impairment	
At 1 January 2021	-
Charge for year	-
At 31 December 2021	-
Net book value	
As at 31 December 2021	16,995,589
As at 31 December 2020	16,995,589

Goodwill has been reviewed for impairment at the profit centre level, each of which represents a set of independent cash flows. These cash generating units represent the lowest level within the Company at which goodwill is monitored for internal management purposes. The carrying amount of goodwill comprises 6 profit centres, namely, Beaumanor £6,879,575, Nelson Hydraulics £6,455,881, Hydravalve £2,747,196, Indequip £631,691, Derek Lane £100,000 and Weltac £181,246.

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

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

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

Notes to the financial statements

for the year ended 31 December 2021

11 Goodwill (continued)

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

Key assumptions used in value in use calculations

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

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

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

The pre-tax discount rates used in the calculations ranged from 8.8% to 10.1% (2020 – 9.2% to 11.1%). This discount rate has been derived from the Group's weighted average post-tax cost of capital. Based on work by an external expert, engaged by management.

12 Other intangible assets

	Customer relationships & brands	Assets under construction £	Total
Gross carrying value			
At 1 January 2021	96,000	-	96,000
Additions	-	761,031	761,031
At 31 December 2021	96,000	761,031	857,031
Amortisation and impairment			
At 1 January 2021	92,800	-	92,800
Amortisation charge for year	3,200	-	3,200
At 31 December 2021	96,000	-	96,000
Net book value			
As at 31 December 2021	-	761,031	761,031
As at 31 December 2020	3,200	-	3,200

Customer relationships and brands relate to the acquisition of the trade and assets of Indequip on 19 February 2017. Assets under construction relate to the new website comprising Online ordering, Customer Data Platform, Product information System and Fulfilment capabilities. No charge was made for amortisation of intangible during the year.

Notes to the financial statements

for the year ended 31 December 2021

13 Tangible fixed assets

	Plant, machinery & equipment £
Cost	
At 1 January 2021	11,174,749
Additions	1,016,462
Disposals	(158,121)
At 31 December 2021	12,033,090
Depreciation	
At 1 January 2021	6,619,374
Charge for year	807,296
Disposals	(67,918)
At 31 December 2021	7,358,752
Net book value	
At 31 December 2021	4,674,338
At 31 December 2020	4,555,375

14 Investments

	2021 £
As at 1 January 2021 Restated (*)	234,284
As at 31 December 2021	234,284

Details of subsidiary undertakings

	Principal activity	Holding	Country of incorporation
Weltac Limited	Assembly & distribution of components	100%	UK

For all the subsidiary above the class of shares held are ordinary shares and the subsidiary is a direct subsidiary of the Company. The registered office of the subsidiary company noted above is Bollin House, Riverside Business Park, Wilmslow, England, SK9 1DP.

(*)Results for 2020 are re-stated to correct an error in treatment of dividend income and investment in subsidiaries as detailed in Note 21.

Notes to the financial statements

for the year ended 31 December 2021

15 Stocks

	2021 £	2020 £
Finished goods and goods for resale	22,076,420	15,326,060

Changes in finished goods recognised as cost of sales in the year amounted to £40,685,136 (2020: £33,030,377). The provision made against stock at the reporting date was £935,559 (2020: £1,214,910). Estimates are made of the net realisable value of stock at the year end. In some circumstances, stock is subsequently sold in excess of the net realisable value determined, which results in a reversal of the write down.

16 Trade and other debtors

	2021 £	2020 £
Current:		
Trade debtors	13,936,346	11,870,487
Other debtors	965,743	154,657
Prepayments and accrued income	144,917	304,077
Corporation tax recoverable	-	275,968
Amounts owed by group undertakings	50,134,546	57,169,771
Total trade and other debtors	65,181,552	69,774,960

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

Trade debtors are stated after provisions of impairment of £139,539 (2020: £134,741).

17 Cash and cash equivalents

	2021 £	2020 £
Cash and cash equivalents:		
Sterling	2,416,290	7,250,036
Euro	261,890	406,619
Dollar	8,783	10,759
Total cash and cash equivalents	2,686,963	7,667,414

Notes to the financial statements

for the year ended 31 December 2021

18 Interest bearing loans and borrowings

This note provides information about the contractual terms of the Company's interest-bearing loans and borrowings, which are measured at amortised cost. For more information about the Company's exposure to interest rate and foreign currency risk, see note 21.

	2021 £	2020 £
Non-current liabilities:		
Right of use and lease liabilities	3,973,355	4,647,393
Total non-current liabilities	3,973,355	4,647,393
Current liabilities:		
Lease liabilities	783,333	738,137
Total current liabilities	783,333	738,137
Total interest bearing loans and borrowings	4,756,688	5,385,530

Terms and debt repayment schedule

	Currency	Nominal interest rate	Year of maturity	Carrying value 2021 £	Carrying value 2020 £
Lease liabilities	GBP	Various	2021 to 2031	4,756,688	5,385,530
				4,756,688	5,385,530

19 Trade and other creditors

	2021 £	2020 £
Current:		
Trade creditors	10,829,257	7,177,893
Social security and other taxes	1,340,161	1,363,965
Accruals and deferred income	1,083,582	2,535,073
Amounts owed to other group undertakings	45,140,101	52,429,640
Total trade and other creditors	58,393,101	63,506,571

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

Notes to the financial statements

for the year ended 31 December 2021

20 Provisions for liabilities

	Provisions for dilapidations £	Total £
Non-current liabilities:		
Balance at 1 January 2021	(110,726)	(110,726)
Provisions made during the year	(20,426)	(20,426)
Amount utilised		
Balance at 31 December 2021	(131,152)	(131,152)

The dilapidation provision is held in respect of leasehold properties held by the Company and represents management's best estimate of the amount which is expected to be settled in respect of dilapidation costs for the relevant sites. During the year £nil (2020: £nil) of the provision was utilised. The ongoing provision is expected to be utilised in more than 5 years.

21 Prior period adjustment

The trade and assets of the Beaumanor business were hived up to the Company from its subsidiary, Beaumanor Engineering Limited at the end of June 2018, leaving a residual investment in Beaumanor Engineering Limited of £2,147,092. Following the strike off of the subsidiaries, the investment balance was to be settled by dividend to be received from the subsidiary and its parent company, BALU Limited.

The affairs of the subsidiary were wound up and a final dividend aggregating £2,298,798 was received by the Company from Beaumanor Engineering Limited and BALU Limited during FY 2020. The dividend income so received was erroneously taken to the income statement as interest receivable and similar income when it should have reduced the investment balance held in the subsidiary since the substance of the transaction was a return of capital. The impact of the error was to overstate profit for the year and investment balance by £2,147,092. There was no impact on retained earnings as at 1 January 2020.

The error is corrected in this year by reversing the dividend income taken to retained earnings and crediting the same to investment balance.

Income Statement

for the year ended 31 December 2020

	Restated 2020 £	Original 2020 £	Variance £
Turnover	55,057,083	55,057,083	-
Cost of Sales	(35,947,185)	(35,947,185)	-
Gross Profit	19,110,618	19,110,618	-
Distribution costs	(3,007,413)	(3,007,413)	-
Administrative expenses	(14,701,029)	(14,701,029)	-
Other operating income	629,784	629,784	-
Operating profit	2,031,960	2,031,960	-
Dividend income	1,265,606	3,412,698	(2,147,092)
Interest payable and similar cost	(165,586)	(165,586)	-
Profit on ordinary activities before taxation	3,131,980	5,279,072	(2,147,092)
Tax (expense) /credit	(146,371)	(146,371)	-
Loss/(Profit) for the financial year	2,985,609	5,132,701	(2,147,092)

Statement of Financial Position (Extracts)

at 31 December 2020

	Restated 2020 £	Original 2020 £	Variance £
Fixed assets			
Goodwill	16,995,589	16,995,589	-
Intangible assets	3,200	3,200	-
Tangible assets	4,555,375	4,555,375	-
Right of use assets	5,187,354	5,187,354	-
Investments	234,284	2,381,376	(2,147,092)
Total fixed assets	26,975,802	29,122,894	(2,147,092)

	Restated 2020 £	Original 2020 £	Variance £
Capital and reserves			
Share capital	112	112	-
Share premium account	9,974	9,974	-
Share-based payment reserve	8,097	8,097	-
Capital contribution	752,127	752,127	-
Retained earnings	49,617,424	51,764,516	(2,147,092)
Total equity	50,387,734	52,534,826	(2,147,092)

22 Issued and called up share capital

	2021	2020
	£	£
Allotted, called up and fully paid		
10,000 "A" Ordinary shares of 1 pence each	100	100
560 "B" Ordinary shares of 1 pence each	6	6
560 "C" Ordinary shares of 1 pence each	6	6
Total allotted, called up and fully paid	112	112

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

23 Employee benefits

23.1 Pension plans

The Company operates a defined contribution plan. The total expense relating to this plan in each year was £253,538 (2020: £209,811).

24 Right of use assets and liabilities

In 2021 lease payments of £940,782 (2020: £840,803) have been eliminated and depreciation of £833,695 (2020: £761,222) and finance costs of £165,252 (2020: £161,405) have been incurred.

	Right of use assets			Total
	Land and property £	Plant and Machinery	Motor Vehicles £	£
Cost				
Balance at 1 January 2021	5,523,365	398,522	483,834	6,405,721
Additions	-	-	469,986	469,986
Disposals	(466,771)	-	(136,063)	(602,834)
Balance at 31 December 2021	5,056,594	398,522	817,757	6,272,873
Depreciation and amortisation				
Balance at 1 January 2021	1,027,866	19,029	171,472	1,218,367
Depreciation charge for the year	548,343	56,932	228,420	833,695
Disposals	(251,844)	-	(120,714)	(372,558)
Balance at 31 December 2021	1,324,365	75,961	279,178	1,679,504
Net book value at 31 December 2021	3,732,229	322,561	538,579	4,593,369
Net book value at 31 December 2020	4,495,499	379,493	312,362	5,187,354

Notes to the financial statements

for the year ended 31 December 2021

Lease liabilities

	2021	2020
	£	£
At 1 January	5,385,530	5,068,756
Repayment	(939,732)	(840,803)
Interest	165,252	161,405
Acquisition	469,986	1,069,219
Disposals	(324,348)	(3,049)
Other lease movements	-	(69,998)
At 31 December	4,756,688	5,385,530

24 Right of use assets and liabilities (continued)

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

	2021	2020
	£	£
Current	783,333	738,137
Non Current	3,973,355	4,647,393
At 31 December	4,756,688	5,385,530

The income statement shows the following amounts relating to leases:

	2021	2020
	£'000	£'000
Depreciation of charge of right-of-use assets		
– Land and buildings	548,343	565,117
– Other	285,352	196,106
Interest expenses (included in finance cost)	165,252	161,405

25 Capital commitments

The Company had capital expenditure of £34,000 contracted for but not provided at 31 December 2021 (2020: £nil).

26 Contingent liabilities

The Company is party to an intra-group funding arrangement with the other group companies, and could be required to provide funds to enable them to meet their financial obligations. The total amount outstanding at the year end was £19,926,668 (2020: £19,886,668) comprising a bank loan and revolving credit facility which are secured by legal charges over certain of the Group's assets including trade receivables and stock.

Notes to the financial statements

for the year ended 31 December 2021

27 Related party transactions

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

28 Ultimate group undertaking

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

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

29 Subsequent events

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