Fluidpower Group UK Limited

Annual Report and Financial Statements

Registered number 01672034

31 December 2020

Fluidpower Group UK Limited (formerly Fluidpower Limited)

Company Information

Directors	Bryce Brooks John Farmer (resigned 12 March 2021) Russell Cash Alan Keith Dickinson (resigned 11 August 2020)
Registered number	01672034
Registered office	Bollin House Riverside Business Park Wilmslow SK9 1DP
Independent auditor	Grant Thornton UK LLP Chartered Accountants and Statutory Auditors 4 Hardman Square Spinningfields Manchester M3 3EB

Contents

Strategic Report

Introduction

The Directors' present their Strategic Report of Fluidpower Group UK Limited (the "Company") for the year ended 31 December 2020. The Company's principal activity is the purchasing and distribution of fluid power components, principally within the UK and Eire. The Company operates through 8 divisions following the hive up of trade and assets from Primary Components and Derek Lane during the year.

Business review

The Company's sales increased by 0.1% from the previous year to £55.1m (2019: £55.0m). This included sales of £2.0m from businesses hived up into the Company. Gross profit margin for the year was 34.7% (2019: 36.6%) and operating profit was £2.0m (2019: £8.9m). The Directors believe this represents a very satisfactory performance given the challenging trading conditions experienced during the year.

The net assets of the company decreased to £53.0m (2019: £54.9m). Net profit generated during 2020 was £5.1m, of which £1.3m was contributed by businesses hived up into the Company during the year. Dividends of £7.5m were paid to the parent company, resulting in a reduction of net assets of £2.15m.

Principal risks and uncertainties

2020 saw us faced with the combined challenges of Brexit planning, which we were clearly expecting, alongside the unforeseen and much greater issues which COVID-19 presented.
Brexit – We planned for the implications of the UK's departure from the European Union and feel we have done all we could have been expected to do ahead and beyond 1 January 2021.
COVID-19 – The global pandemic presented what we hope is once-in-a-lifetime challenges for the business. We established a COVID working group to focus on all the challenges presented. Whilst there clearly remains a risk that there could be further spikes in activity, we feel we have demonstrated the business is capable of taking remedial action and that our markets have a degree of resilience to manage any such situation.
Competition – Notwithstanding our position as market leader in the UK, our business constantly remain alert to the potential threat of our competitors.

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 2020, 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 for its wider stakeholders. 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:

- As part of Flowtech Fluidpower Plc (Group), with a leading position in the UK, the Board and Directors are acutely aware of the potential impact that their decisions may have on certain stakeholders, including employees, customers, suppliers and as Shareholders. The Board's emphasis on a sustainable business model makes the procurement and supply of fluid power supply products efficient for customers and suppliers, thereby supporting the Company's ambition of delivering growth and return for Shareholders.

Strategic Report (*Continued*)

- Investment made in the Engagement Surveys across the businesses, combined with the training and career development plans put in place for a number of employees, demonstrates the Board and Directors' commitment to ensuring the workplaces provides a positive environment for staff. Of course, on occasion, decisions necessarily have to be taken which adversely impact on employees; in such scenarios the Board and Directors are careful to provide the necessary degree of compassion with the processes they adopt without removing the focus to deliver the commercial benefit for the greater good of the business. Through this flexible approach, employees are driven towards finding solutions which create efficiencies for the business but more importantly benefit its customers. This requires extensive knowledge, creativity and collaboration with customers and suppliers.
- The Company works closely with its key suppliers, developing relationships in partnership with them. Suppliers are keen for their products, and in many cases an increasing proportion of their products, to be distributed via a professional distribution channel and for their brand/reputation to be protected when doing so. The company's management 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 the vast network of customers.
- The Company aims to be the most cost-effective provider of a quality service to all customers, ensuring it delivers end-to-end fluid power solutions from a single source, by collaborating, where necessary, with businesses in the wider group.
- The Company and the wider Group is retaining membership of a number of trade bodies in the fluid power industry, including the British Fluid Power Association (BFPA) and the British Fluid Power Distributors Association (BFPDA). The Company and the wider Group works closely with these organisations and invest in them with representation from the Group at their various gatherings throughout the year. In November 2019, the Group's Commercial Director, John Farmer was appointed as Vice President for the BFPA, which is a positive step towards further aligning the Group's activities within the industry bodies and helping to shape the industry for the future, especially in the areas of compliance and talent management.
- The Company has been supporting local communities for many years and the Board encourages them to continue this good work. This takes many forms, including supporting charitable events, recruitment of local apprentices, open day support for local schools and educational events with local communities where members carry out projects to make the environment or services better.
- The company uses the Group Handbook, Standard Practice Instructions, Health and Safety committees and various Group-wide and localised initiatives. This ensures that best practices are adopted for its employees, suppliers, customers and in turn Shareholders.

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:

Strategic Report (*Continued*)

Key performance indicator	**2020**	**2019**
Sales	55,057,803	55,002,806
Gross margin	19,110,618	20,110,942
EBITDA	4,048,383	10,219,374
Average gross profit per working day	76,749	80,767

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

Russell Cash
Director
29 September 2021

Russell Cash

Directors' Report

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

Directors

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

Bryce Brooks
John Farmer (resigned 12 March 2021)
Russell Cash
Alan Dickinson (resigned 11 August 2020)

Dividends

Dividends paid during the period were £7,500,000 (2019: £3,500,000), 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 Company purchases foreign currency as necessary on a spot basis. Further details of financial risk management are provided in note 21.

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 which the Directors believe to be appropriate. Following the challenges presented by COVID-19 and the impact on 2020 performance, the Directors are forecasting a return to 2019 performance in 2022 and beyond. The directors have prepared forecasts covering the period to December 2022. This exercise resulted in the Directors believing it is still likely that the Group would continue to operate within the aggregate £25m banking facility whilst seeking to ensure all bank covenants were complied with. The Company therefore continues to adopt the going concern basis in preparing its financial statements. Refer to note 2.2 for further detail.

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 2021

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 2020, which comprise Income statement, Statement of Financial position, Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosure Framework' 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its 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 manual 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.
- The assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's knowledge of the industry in which the client operates in and understanding of, and practical experience through training and participation with audit engagements of a similar nature;
- In assessing the potential risks of material misstatement, we obtained an understanding of:
    - The company's operations, including the nature of its revenue sources, expected financial statement disclosures and business risks that may result in risk of material misstatement and
    - the company's control environment including the adequacy of procedures for authorisation of transactions.

Use of our report

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

Grant Thornton UK LLP

Michael Frankish
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Manchester
29 September 2021

Income Statement
for the year ended 31 December 2020

	Note	2020 £	2019 £
Turnover	3	55,057,803	55,002,806
Cost of sales		(35,947,185)	(34,891,864)
Gross profit		19,110,618	20,110,942
Distribution costs		(3,007,413)	(2,974,873)
Administrative expenses		(14,701,029)	(8,179,087)
Other operating income	4	629,784	-
Operating profit	5	2,031,960	8,956,982
Interest receivable and similar income	7	3,412,698	-
Interest payable and similar cost	8	(165,586)	(179,305)
Profit on ordinary activities before taxation		5,279,072	8,777,677
Tax expense	9	(146,371)	(676,276)
Profit for the financial year		5,132,701	8,101,401

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

All turnover and operating profits are derived from continuing operations.

The notes form part of the financial statement and are set out on pages 14 to 38.

Statement of Financial Position

at 31 December 2020

	Note	2020	2019
		£	£
Fixed assets			
Goodwill	11	**16,995,589**	**16,716,903**
Intangible assets	12	**3,200**	**41,600**
Tangible assets	13	**4,555,375**	**3,957,054**
Right of use assets	24	**5,187,354**	**4,964,649**
Investments	14	**2,381,376**	**2,147,092**
Total fixed assets		**29,122,894**	**27,827,298**
Current assets			
Stocks	15	**15,326,060**	**15,590,644**
Trade and other debtors	16	**69,774,960**	**199,376,329**
Cash and cash equivalents	17	**7,667,414**	**2,003,924**
Total current assets		**92,768,434**	**216,970,897**
Creditors: amounts falling due within one year			
Interest-bearing loans and borrowings	18	-	**35,004**
Trade and other creditors	19	**63,506,571**	**184,391,531**
Deferred and contingent consideration	26	-	**213,877**
Lease liability	24	**738,137**	**745,441**
Total creditors: amounts falling due within one year		**64,244,708**	**185,385,853**
Net current assets		**28,523,726**	**31,585,044**
Total assets less current liabilities		**57,646,620**	**59,412,342**
Creditors: amounts falling due after one year			
Lease liability	24	**4,647,393**	**4,323,314**
Provisions for liabilities	20	**110,726**	**151,999**
Deferred tax liabilities	9	**353,675**	**252,623**
Total creditors: amounts falling due after one year		**5,111,794**	**4,727,936**
Net assets		**52,534,826**	**54,684,406**
Capital and reserves			
Share capital	22	**112**	**112**
Share premium account		**9,974**	**9,974**
Share-based payment reserve		**8,097**	**8,097**
Capital contribution		**752,127**	**538,250**
Retained earnings		**51,764,516**	**54,127,973**
Total equity		**52,534,826**	**54,684,406**

The notes form part of the financial statements and are set out on pages 14 to 38.

The Financial Statements on pages 11 to 38 were approved by the Directors on 29 September 2021 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 2020

	Share capital £	Share premium £	Share-based payment reserve £	Capital contribution £	Retained earnings £	**Total Equity £**
Balance at 1 January 2019	**112**	**9,974**	**10,056**	**500,000**	**49,816,949**	**50,337,091**
Profit for the year	-	-	-	-	8,101,401	8,101,401
Total comprehensive income for the year	-	-	-	-	8,101,401	8,101,401
Transactions with owners						
Capital contribution	-	-	-	38,250	-	38,250
Share-based payment charge	-	-	10,530	-	-	10,530
Share options settled	-	-	(12,489)	-	-	(12,489)
Purchase of minority shares	-	-	-	-	(290,377)	(290,377)
Equity dividends paid (note 10)	-	-	-	-	(3,500,000)	(3,500,000)
Total transactions with owners	-	-	(1,959)	38,250	(3,790,377)	(3,754,086)
Balance at 1 January 2020	**112**	**9,974**	**8,097**	**538,250**	**54,127,973**	**54,684,406**
Profit for the year	-	-	-	-	5,132,701	5,132,701
Other comprehensive income	-	-	-	-	3,842	3,842
Total comprehensive income for the year	-	-	-	-	5,136,543	5,136,543
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 31 December 2020	**112**	**9,974**	**8,097**	**752,127**	**51,764,516**	**52,534,826**

The notes form part of the financial statements and are set out on pages 14 to 38.

Notes to the Financial Statements

for the year ended 31 December 2020

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

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

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

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

(b) the requirement in paragraph 38 of IAS 1 "Presentation of Financial Statements" to present comparative information in respect of:

(i) paragraph 79(a)(iv) of IAS 1;

(ii) paragraph 73(e) of IAS 16 "Property, Plant and Equipment";

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

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

(e) the requirements of paragraph 17 of IAS 24 "Related Party Disclosures' to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which 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 £5,132,701 for the year (2019: £8,101,401).
The Company is expected to generate positive cash flows on its own account for the foreseeable future.
The Company participates in the Group's centralised treasury arrangements and so shares banking arrangements with its parent and fellow subsidiaries. The Group has recently renewed its banking facilities, with the £20 Million aggregate facilities in place for three years.

The Directors have prepared forecasts covering at least twelve months beyond the date of this report. These forecasts consider the known and expected impact of Covid-19 on the business. In any set of forecasts there are inherent risks in the assumptions, and these have been tested under a range of scenarios to establish the ability of the business to discharge its liabilities in the ordinary course of business.

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. As with any company placing reliance on other group entities for financial support, the Directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these Financial Statements, they have no reason to believe that it will not do so.

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

Notes to the financial statements

for the year ended 31 December 2020

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 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 2020 is £15,326,060 (2019: £15,590,644) and included a provision against the stocks of £1,214,910 (2019: £1,167,757). During the year £602,974 (2019: £929,416) 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.

Share based payments

A number of accounting estimates and judgements are incorporated within the calculation of the charge to the Income Statement in respect of share-based payments. These are described in more detail in note 23 of the consolidated financial statements of Flowtech Fluidpower plc.

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 to which goodwill is allocated. Value in use is dependent on estimations of future cash flows from the cash generating units 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 2020 is £16,995,589 (2019: £16,716,903). 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 2020

2 Accounting policies (continued)

Trade and other debtors

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

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

Trade and other creditors

Trade and other creditors are recognised initially at fair value. Subsequent to initial recognition they are measured 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.

Notes to the financial statements

for the year ended 31 December 2020

2 Accounting policies (continued)

2.6 Investments

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

2.7 Tangible fixed assets and depreciation

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

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

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

Depreciation is charged to the income statement over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. The estimated useful lives and deprecation 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 12 years – straight line
Right-of-use motor vehicles	2 to 5 years – straight line

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

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.

Notes to the financial statements

for the year ended 31 December 2020

2 Accounting policies (continued)

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.

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.

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.

Notes to the financial statements

for the year ended 31 December 2020

2 Accounting policies (continued)

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 2020

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 as detailed in note 23.2
"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 2020

2 Accounting policies (continued)

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

Right-of-use assets are measured at cost comprising the following:
the amount of the initial measurement of lease liability;
any lease payments made at or before the commencement date less any lease incentives received;
any initial direct costs; and
restoration costs.

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

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

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

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

Residual value guarantees
To optimise lease costs during the contract period, the 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 2020

3 Turnover

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

	2020	2019
	£	£
United Kingdom	**50,899,539**	**50,806,816**
Europe	**2,783,262**	**3,659,008**
Rest of World	**1,375,002**	**536,982**
Total turnover	**55,057,803**	**55,002,806**

	2020	2019
	£	£
Sale of goods	**53,777,738**	**54,027,102**
Delivery income	**1,280,065**	**975,704**
Total turnover	**55,057,803**	**55,002,806**

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):

	2020	2019
	£	£
(Gain) from reversal of/Impairment loss on trade debtors	**(14,926)**	**47,373**
Loss on foreign currency transactions	**150,173**	**33,303**
Impairment loss on stock	**649,947**	**929,416**
Depreciation of property, plant and equipment held under right of use assets (Note 24)	**761,222**	**658,029**
Depreciation of owned tangible fixed assets (Note 13)	**717,492**	**604,363**
Amortisation of intangible assets (Note 12)	**38,400**	**-**
Loss/(Profit) on sale of tangible fixed assets	**178,690**	**(1,500)**
Repairs and maintenance expenditure on tangible fixed assets	**59,116**	**98,557**

Auditor's remuneration		
Audit fees are borne by another group undertaking.	-	-

Notes to the financial statements

for the year ended 31 December 2020

6 Staff costs and Directors' remuneration

	2020	2019
	£	£
Staff costs		
Wages and salaries	**7,763,013**	**6,178,276**
Social security costs	**747,480**	**569,464**
Contributions to defined contribution pension plans	**209,811**	**161,902**
Share-based payments	**-**	**10,530**
Total staff costs	**8,720,304**	**6,920,172**

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

	2020	2019
	Number	Number
Distribution	**174**	**116**
Administration	**137**	**129**
Total number	**311**	**245**

	2020	2019
	£	£
Directors' remuneration		
Remuneration	**332,685**	**257,754**
Contributions to defined contribution pension plans	**50,297**	**1,274**
Benefits in kind	**22,280**	**26,605**
Total Directors' remuneration	**405,262**	**285,633**

During the year one Director (2019: one) participated in defined contribution pension schemes. No Directors participated in defined benefit schemes (2019: none).

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

	2020	2019
	£	£
Highest paid Director's remuneration		
Remuneration	**152,709**	**129,406**
Contributions to defined contribution pension plans	**45,520**	**-**
Benefits in kind	**12,565**	**11,045**
Total highest paid Director's remuneration	**210,794**	**140,451**

7 Interest receivable and similar income

	2020	2019
	£	£
Interest receivable and similar income		
Dividends receivable	**3,412,698**	**-**
Total interest receivable and similar income	**3,412,698**	**-**

Notes to the financial statements

for the year ended 31 December 2020

8 Interest payable and similar cost

	2020 £	2019 £
Interest payable and similar cost		
Lease interest under IFRS 16	161,405	158,866
Finance charges payable in respect of finance leases	-	9,504
Other credit related interest	4,181	10,935
Total interest payable and similar cost	165,586	179,305

9 Taxation

a) Tax charged in the income statement

	2020 £	2019 £
Current tax		
UK corporation tax payable	32,166	686,096
Adjustment in respect of prior year	33,283	(57,070)
Total current tax	65,449	629,026
Deferred tax		
Origination and reversal of temporary differences	130,331	42,600
Adjustments in respect of prior periods	(75,716)	4,650
Change in tax rate	26,307	-
Total deferred tax	80,922	47,250
Total tax expense	146,371	676,276

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

	2020 £	2019 £
Profit before taxation	5,279,072	8,777,677
Tax calculated at the UK standard rate of corporation tax of 19% (2019: 19%)	1,003,024	1,667,759
Timing differences not recognised in the computation	61,490	-
Impact of change in tax rate	26,307	(6,761)
Amounts not deductible	190,696	(2,348)
Adjustment in respect of prior years	33,283	-
(Over) provided in prior years – deferred tax	(75,716)	(52,420)
Other adjustments	23,071	(18,514)
Income not taxable	(654,637)	-
Group relief	(461,147)	(911,440)
Total tax expense	146,371	676,276

Notes to the financial statements
for the year ended 31 December 2020

9 Taxation (continued)

c) Change in corporation tax rate

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

d) Deferred tax

	Assets		Liabilities	
	2020	2019	**2020**	2019
	£	£	**£**	£
Intangible assets	-	-	(7,904)	(3,808)
Tangible fixed assets	-	-	(397,841)	(301,885)
Financial assets	-	5,210	-	-
Provisions	52,070	36,072	-	-
Employee benefits	-	50,544	-	-
Tax assets/(liabilities)	52,070	91,826	(405,745)	(305,693)
Net deferred tax liability			(353,675)	(213,867)

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
Financial assets	-	-	-	-
Provisions	(36,314)	-	(15,756)	(52,070)
Employee benefits	(62,893)		62,893	-
	248,783	23,970	80,923	353,676

Movement in deferred tax during the year ended 31 December 2019

	1 January 2019	Acquired in year	Recognised in income	31 December 2019
	£	£	£	£
Intangible assets	7,073	-	(3,265)	3,808
Tangible fixed assets	211,893	-	89,992	301,885
Financial assets	(5,517)	-	307	(5,210)
Provisions	(11,156)	-	(24,916)	(36,072)
Employee benefits	(24,598)	(11,077)	(14,869)	(50,544)
	177,695	(11,077)	47,249	213,867

Notes to the financial statements

for the year ended 31 December 2020

10 Dividends paid and proposed

	2020 £	2019 £
Declared and paid during the year		
Equity dividends of £750 per A ordinary share (2019: £350)	**7,500,000**	3,500,000
Total dividends paid	**7,500,000**	3,500,000

No dividends are proposed at the end of the period.

11 Goodwill

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

	2020 £
Cost	
At 1 January 2020	16,716,903
Additions	181,246
Other movement	97,440
At 31 December 2020	16,995,589
Accumulated impairment	
At 1 January 2020	-
Charge for year	-
At 31 December 2020	-
Net book value	16,995,589
As at 31 December 2020	
As at 31 December 2019	16,716,903

Notes to the financial statements

for the year ended 31 December 2020

11 Goodwill (continued)

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 5 profit centres, namely, Beaumanor £6,879,575, Nelson Hydraulics £6,455,881, Hydravalve £2,747,196, Indequip £631,691 and Derek Lane £100,000.

During the year ended 31 December 2020, the company determines that there is 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 has prepared forecasts for each cash-generating unit for the financial year ending 31 December 2021 and 2022, which have been approved by the Board and extended these projections for a further three years. Cash flows beyond this five-year period have been 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 company operates.

12 Other intangible assets

	2020 £
Gross carrying value	
At 1 January 2020	96,000
Additions	-
At 31 December 2020	**96,000**
Amortisation and impairment	
At 1 January 2020	54,400
Amortisation charge for year	38,400
At 31 December 2020	92,800
Net book value	
As at 31 December 2020	3,200
As at 31 December 2019	41,600

Other intangibles relate to the acquisition of the trade and assets of Indequip on 19 February 2017 and are the valuation of the brand value of the trade. No charge was made for amortisation of intangible during the year.

Notes to the financial statements
for the year ended 31 December 2020

13 Tangible fixed assets

	Plant, machinery & equipment £
Cost	
At 1 January 2020	10,016,330
Additions	1,319,189
Assets hived into company	264,836
Disposals	(425,606)
At 31 December 2020	**11,174,749**
Depreciation	
At 1 January 2020	6,059,276
Charge for year	717,492
Disposals	(157,394)
At 31 December 2020	**6,619,374**
Net book value	
At 31 December 2020	**4,555,375**
At 31 December 2019	3,957,054

14 Investments

	2020 £
As at 1 January 2020	**2,147,092**
Investment in Weltac Limited	**234,284**
As at 31 December 2020	**2,381,376**

Details of subsidiary undertakings

	Principal activity	Holding	Country of incorporation
Balu Limited	Holding company	100%	UK
Derek Lane Limited	Assembly & distribution of components	10%	UK
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.

15 Stocks

	2020 £	2019 £
Finished goods and goods for resale	**15,326,060**	**15,590,664**

Notes to the financial statements

for the year ended 31 December 2020

15 Stocks (continued)

Changes in finished goods recognised as cost of sales in the year amounted to £33,030,377 (2019: £30,523,392). The provision made against stock at the reporting date was £1,214,910 (2019: £1,167,757). 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

	2020	2019
	£	£
Current:		
Trade debtors	11,870,487	11,597,544
Other debtors	154,657	201,802
Prepayments and accrued income	304,077	405,891
Corporation tax recoverable	275,968	624,061
Amounts owed by group undertakings	57,169,771	186,547,031
Total trade and other debtors	69,774,960	199,376,329

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 £134,741 (2019: £104,859).

17 Cash and cash equivalents

	2020	2019
	£	£
Cash and cash equivalents:		
Sterling	7,250,036	1,574,107
Euro	406,619	372,084
Dollar	10,759	57,733
Total cash and cash equivalents	7,667,414	2,003,924

Notes to the financial statements

for the year ended 31 December 2020

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.

	2020	2019
	£	£
Non-current liabilities:		
Finance lease liabilities	-	**1,838**
Right of use and other lease liabilities	**4,647,393**	**4,343,314**
Total non-current liabilities	**4,647,393**	**4,325,152**
Current liabilities:		
Finance lease liabilities	-	**33,166**
Right use of liabilities	**738,137**	**745,441**
Total current liabilities	**738,137**	**778,607**
Total interest bearing loans and borrowings	**5,385,530**	**5,103,760**

Terms and debt repayment schedule

	Currency	**Nominal interest rate**	**Year of maturity**	**Carrying value 2020 £**	Carrying value 2019 £
Finance lease liabilities	GBP	Various	2020 to 2021	-	**35,004**
Right of use liabilities	GBP	Various	2020 to 2031	**5,385,530**	**5,068,756**
				5,385,530	**5,103,760**

Finance lease liabilities

	Minimum lease payments 2020 £	**Interest 2020 £**	**Principal 2020 £**	Minimum lease payments 2019 £	Interest 2019 £	Principal 2019 £
Less than one year	-	-	-	**36,294**	**3,128**	**33,166**
Between one and five years	-	-	-	**2,038**	**200**	**1,838**
Total	-	-	-	**38,332**	**3,328**	**35,004**

19 Trade and other creditors

	2020	2019
	£	£
Current:		
Trade creditors	**7,177,893**	**5,480,965**
Social security and other taxes	**1,363,965**	**1,111,835**
Accruals and deferred income	**2,535,073**	**1,354,281**
Amounts owed to other group undertakings	**52,429,640**	**176,444,450**
Total trade and other creditors	**63,506,571**	**184,391,531**

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 2020

20 Provisions for liabilities

	Provisions for dilapidations	Other	Total
	£	£	£
Non-current liabilities:			
Balance at 1 January 2020	(151,999)	-	(151,999)
Provisions made during the year	(10,000)	-	(10,000)
Amount utilised	51,273	-	51,273
Balance at 31 December 2020	**(110,726)**	**-**	**(110,726)**

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 (2019: £nil) of the provision was utilised. The ongoing provision is expected to be utilised in more than 5 years.

21 Financial instruments

21.1 Interest rate risk

At the reporting date the interest rate profile of the Company's interest-bearing financial instruments was:

	2020	2019
	£	£
Fixed rate instruments		
Financial liabilities	-	35,004

Fixed rate instruments relate to finance leases.

21.2 Foreign currency risk

The main currency related risk to the Company comes from forward purchasing of stocks, settling of transactions in foreign currency and from transactions with other group foreign operations. This risk is mainly managed by entering into 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 profit or loss.

The Company's exposure to foreign currency risk is as follows. This is based on the carrying amount for monetary financial instruments except derivatives when it is based on notional amounts.

	Sterling	Euro	US Dollar	Other	Total
	£	£	£	£	£
31 December 2020					
Cash and cash equivalents	7,250,036	406,619	10,759	-	7,667,414
Trade and other debtors	11,577,313	417,509	3,996	26,326	12,025,144
Right of use Asset Lease Liabilities	(5,370,640)	(14,890)	-	-	(5,385,530)
Trade creditors	(5,966,416)	(1,836,947)	625,469	-	(7,177,894)
Net exposure	7,490,293	(1,027,709)	640,224	26,326	7,129,134

Notes to the financial statements

for the year ended 31 December 2020

21 Financial instruments (continued)

	Sterling £	Euro £	US Dollar £	Total £
31 December 2019				
Cash and cash equivalents	**1,574,107**	**372,084**	**57,733**	**2,003,924**
Trade and other debtors	**11,617,780**	**183,958**	**(2,392)**	**11,799,346**
Right of use Asset Liabilities	**(5,068,756)**	**-**	**-**	**(5,068,756)**
Finance lease liabilities	**(35,004)**	**-**	**-**	**(35,004)**
Trade creditors	**(2,887,452)**	**(2,674,683)**	**81,171**	**(5,480,965)**
Net exposure	**5,200,675**	**(2,118,641)**	**136,512**	**3,218,545**

21.3 Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's debts from customers. The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. Management also considers the factors that may influence the credit risk of its customer base, including the default risk of the industry and country in which the customers operate. The Company has an established credit policy under which the credit status of each new customer is reviewed before credit is advanced. This includes external evaluations where possible. Credit limits are established for customers and outstanding balances are reviewed regularly by management.

The concentration of credit risk for trade debtors at the reporting date by geographic region was:

	2020 £	2019 £
UK	**11,282,278**	**11,145,222**
Europe	**414,971**	**348,353**
Rest of World	**173,238**	**103,969**
Total	**11,870,487**	**11,597,544**

Credit quality of financial assets and impairment losses

The aging of trade debtors at the reporting date was:

	Gross 2020 £	**Impairment 2020 £**	Gross 2019 £	Impairment 2019 £
Not past due	**11,143,593**	**12,127**	**10,500,287**	**29,130**
Past due 0 – 30 days	**665,562**	**4,042**	**874,800**	**4,374**
More than 30 days	**196,074**	**118,573**	**327,316**	**71,355**
Total	**12,005,229**	**134,742**	**11,702,403**	**104,859**

Some of the unimpaired trade debtors are past due as at the reporting date. These past due debtors are not resultant from any major disputes with customers. There have been no other indicators that would cast doubt over the credit worthiness of such customers.

Notes to the financial statements

for the year ended 31 December 2020

21 Financial instruments (continued)

The Company establishes an allowance for impairment that represents its estimate of expected losses in respect of trade debtors. The movement in the allowance for impairment in respect of trade debtors during each year was as follows:

	2020	2019
	£	£
Balance at 1 January	**104,859**	**174,420**
Acquired	**16,868**	**80,926**
Provision recognised	**13,015**	**(150,487)**
Balance at 31 December	**134,742**	**104,859**

The allowance account for trade debtors is used to record expected credit losses unless the Company is satisfied that no recovery of the amount owing is possible; at that point the amounts considered irrecoverable are written off against the trade debtors directly.

21.4 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. Management monitors and manages liquidity for the Company and ensures that the Company has sufficient headroom in its committed facilities to meet unforeseen or abnormal requirements. Available headroom is monitored via the use of detailed cash flow forecasts. Particular focus is given to management of working capital.

The following are the contractual maturities of financial liabilities:

Year ended 31 December 2020	Carrying amount £	1 year or less £	1 to 2 years £	2 to 5 years £
Non-derivative financial liabilities				
Trade creditors	**7,177,893**	7,177,893	-	-
Right of use Asset Liabilities	**5,385,530**	873,353	813,194	2,084,371
Total	**12,563,423**	8,051,246	813,194	2,084,371

There are no contractual maturities over five years, save for right of use asset liabilities, where the longest lease runs to 2031.

Year ended 31 December 2019	Carrying amount £	1 year or less £	1 to 2 years £	2 to 5 years £
Non-derivative financial liabilities				
Trade creditors	**5,480,965**	5,480,965	-	-
Right of use Asset Liabilities	**5,068,756**	745,441	635,667	1,671,070
Finance lease liabilities	**35,004**	35,004	-	-
Total	**10,584,725**	6,261,410	635,667	1,671,070

There are no contractual maturities over five years, save for right of use asset liabilities, where the longest lease runs to 2031.

Notes to the financial statements

for the year ended 31 December 2020

22 Authorised, issued and called up share capital

	2020	2019
	£	£
Authorised		
100,000 "A" Ordinary shares of 1 pence each	1,000	1,000
560 "B" Ordinary shares of 1 pence each	6	6
560 "C" Ordinary shares of 1 pence each	6	6
Total authorised	1,012	1,012
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 £236,620 (2019: £161,901).

23.2 Share based payments

Certain Company employees have received share options granted by the Group's share option plans further details of which are disclosed in the consolidated financial statements of the ultimate parent company Flowtech Fluidpower plc.

In total £nil (2019: £10,530) of employee remuneration expenses all of which related to equity-settled share-based payment transactions has been included in the Income Statement.

Notes to the financial statements

for the year ended 31 December 2020

24 Right of use assets and liabilities

In 2020 lease payments of £840,803 (2019: £680,534) have been eliminated and depreciation of £761,222 (2019: £659,017) and finance costs of £161,405 (2019: £158,866) have been incurred. The impact of this is an increase in operating profit of £79,581 (2019: £21,517) and, after taking account of finance costs, a reduction in profit before tax of £81,824 (2019: £137,349).

	Right of use assets			Total
	Land and property	Plant and Machinery	Motor Vehicles	
	£		£	£
Cost				
Balance at 1 January 2020	5,251,766	-	380,912	5,632,678
Correction to brought forward	(10,000)	-	-	(10,000)
Additions	406,275	398,522	258,872	1,063,669
Disposals	(48,028)		(155,950)	(203,978)
Other lease movement	(76,648)	-	-	(76,648)
Balance at 31 December 2020	**5,523,365**	**398,522**	**483,834**	**6,405,721**
Depreciation and amortisation				
Balance at 1 January 2020	510,777	-	147,252	658,029
Depreciation charge for the year	565,117	19,029	177,077	761,223
Disposals	(48,028)	-	(152,857)	(200,885)
Balance at 31 December 2020	**1,027,866**	**19,029**	**171,472**	**1,218,367**
Net book value at 31 December 2020	**4,495,499**	**379,493**	**312,362**	**5,187,354**
Net book value at 31 December 2019	4,740,989	-	233,660	4,964,649

Right of Use Lease liabilities

	2020	2019
	£	£
At 1 January	**5,068,756**	4,421,362
Repayment	**(840,803)**	(712,788)
Interest	**161,405**	158,866
Acquisition	**1,069,219**	1,201,316
Disposals	**(3,049)**	-
Other lease movements	**(69,998)**	-
At 31 December	**5,385,530**	5,068,756

Notes to the financial statements

for the year ended 31 December 2020

24 Right of use assets and liabilities (continued)

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

	2020	2019
	£	£
Current	738,137	745,441
Non Current	4,647,393	4,323,314
At 31 December	5,385,530	5,068,756

The income statement shows the following amounts relating to leases:

	2020	2019
	£'000	£'000
Depreciation of charge of right-of-use assets		
– Land and buildings	565,117	510,777
– Other	196,106	147,252
Interest expenses (included in finance cost)	161,405	158,866

25 Acquisitions and hive ups

During the year, as part of a group wide simplification plan, the trade and assets of some businesses operating within the Group were hived up into the Company at the cost.

Details of the net asset value hived up into the Company are as follows:

	Hive up date	Net asset value
		£
Derek Lane	30/06/2020	1,217,774
Primary components	30/11/2020	911,560
Total net assets		**2,129,334**

26 Deferred and contingent consideration

	2020	2019
	£	£
Current liabilities:		
Contingent consideration	-	213,877
Total current liabilities	-	213,877
Non-current liabilities:	-	-
Contingent consideration	-	-
Total non-current liabilities	-	-

Notes to the financial statements

for the year ended 31 December 2020

27 Capital commitments

The Company had no capital expenditure contracted for but not provided at 31 December 2020 (2019: £nil).

28 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 £20,000,000 (2019: £20,000,000) comprising a bank loan and revolving credit facility which are secured by legal charges over certain of the Group's assets including trade receivables and stock.

29 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.

30 Ultimate group undertaking

The company is a subsidiary undertaking of Fluidpower Holdings 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.

31 Subsequent events

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