REGISTERED NUMBER: 04806503 (England and Wales)

Parker Hannifin Manufacturing Limited

Strategic Report, Report of the Directors and

Financial Statements for the Year Ended 30 June 2022

Contents of the Financial Statements for the Year Ended 30 June 2022

Parker Hannifin Manufacturing Limited

Company Information
for the Year Ended 30 June 2022

DIRECTORS:	G M Ellinor J A D Elsey G E Bielinski-Bradbury K R Holmes J Griffith N Brogan L Pouchard N Bayliss
SECRETARY:	G M Ellinor
REGISTERED OFFICE:	2nd Floor, Suite 2A Breakspear Park Breakspear Way Hemel Hempstead HP2 4TZ United Kingdom
REGISTERED NUMBER:	04806503 (England and Wales)
AUDITOR:	Deloitte LLP Statutory Auditor 5 Callaghan Square Cardiff, United Kingdom CF10 5BT
SOLICITORS:	Eversheds LLP Eversheds House 70 Great Bridgewater Street Manchester M1 5ES

Strategic Report
for the Year Ended 30 June 2022

The directors present their strategic report for the year ended 30 June 2022.

REVIEW OF BUSINESS
The company has made a profit after taxation of £7,758,000 (2021: profit of £1,172,000).

The turnover in the current year relates to fees charged for services performed on behalf of Parker Hannifin EMEA Sarl. The increase in turnover is a result of the purchase of the trade and assets of Parker Hannifin Manufacturing (UK) Limited on 1st December 2021, which has resulted in an increase of fees charged for service performed on behalf of Parker Hannifin EMEA Sarl.

On 1 November 2021 the company purchased the entire share capital of Parker Hannifin Industries Limited from Parker Hannifin Holding EMEA Sarl for a cash consideration of £53,323,000.

On 1 December 2021 the company purchased the entire trade and assets of Parker Hannifin Manufacturing (UK) Limited, a fellow group company, with the exception of its investment in Kuroda Precision Industries Limited, for a consideration of £37,650,000. The consideration being in the form of an intercompany loan.

On 28 April 2022, the issued share capital of the company was reduced from £268,462,585 divided into 268,462,585 ordinary shares of nominal value of £1.00 each to £68,462,585 divided into 68,462,585 ordinary shares of £1.00 each by cancelling and extinguishing 200,000,000 of the fully paid up ordinary shares of £1.00 each registered in the name of Parker Hannifin (GB) Limited for no consideration and crediting the amount by which the share capital is reduced to the company's profit and loss account.

On 29 April 2022, the company declared a dividend of £56,719,028 to its immediate parent entity, Parker Hannifin (GB) Limited, this dividend was satisfied by an assignment of part of a loan receivable from Parker Hannifin EMEA Sarl.

Also on 29 April 2022, the company declared a dividend of £43,280,972 to its immediate parent entity, Parker Hannifin (GB) Limited, this dividend was satisfied by offset of a loan receivable, payable by the parent to company.

The company's defined benefit pension scheme balance improved from a surplus of £9,197,000 at 30 June 2021 to a surplus of £67,398,000 at 30 June 2022, this was mainly due to a significant improvement in the fair value of plan assets over the year.

The balance sheet shows net assets as at 30 June 2022 of £198,212,000 (30 June 2021: net assets of £262,820,000).

The Directors have considered the impact of the Coronavirus (COVID-19) outbreak, current macro economic activities and global activities on the financial statements and have concluded that at present there is no impact to disclose.

PRINCIPAL RISKS AND UNCERTAINTIES
The management of the business and the execution of the Company's strategy are subject to a number of risks.

The key business risks and uncertainties affecting the Company are considered to relate to the expansion or contraction of the manufacturing economy, industry competition and employee retention:

The Company believes there is a high correlation between interest rates and industrial manufacturing activity. Increases in interest rates could have a negative impact on industrial production, thereby lowering future orders. Interest rates and their impact are constantly monitored by the central Treasury function.

Industry competition creates a potential for the business's competitors to impact its growth and success, the associated risk is mitigated through effective marketing and a customer-focussed approach.

Employee retention is key for the employment of a highly-engaged workforce which works together to achieve the company's goals and values, this is managed through effective performance management and talent development.

Parker Hannifin Manufacturing Limited (Registered number: 04806503)

Strategic Report
for the Year Ended 30 June 2022

SECTION 172(1) STATEMENT
The directors of the company, in addition to their set of general duties, must act in accordance with a set of duties set out in section 172 of the Companies Act, summarised below.

A director of a company must act in the way he considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to:

a. The likely consequences of any decision in the long term,
b. The interests of the company's employees,
c. The need to foster the company's business relationships with suppliers, customers and others,
d. The impact of the company's operations on the community and the environment,
e. The desirability of the company maintaining a reputation for high standards of business conduct, and
f. The need to act fairly as between members of the company.

The directors fulfil their duties as follows:

<u>The likely consequences of any decision in the long term</u>
The directors understand the business and the diverse sectors and challenging environments in which it operates. The strategies set by the Board are driven by the Win Strategy, Parker's business system which has been in existence since 2001.

The Win Strategy builds on the competitive differentiators of Parker, which include:

- The Win Strategy
- Decentralized Business Model
- Technology Breadth and Interconnectivity
- Engineered Products with Intellectual Property
- Long Product Life Cycles
- Global Distribution
- Low Capital Investment Needs

These strategies set the basis for decision-making and therefore seek to ensure that the long-term consequences of the decision-making are in line with Parker values.

<u>The interests of the company's employees</u>
The directors believe that strong performance requires passionate team members who are immersed in their daily work and are empowered to improve their portion of the business. Performance management and talent development is key to ensuring that the business thrives through developing our employees and bringing through talent in the most efficient way. We share common values in every area such that the objectives of the business are achieved in the correct and expected manner. Environmental, health and safety measures are of paramount importance across the business. As such, detailed metrics, actions and enhancements to the manner in which we work and our surrounding working environment are constantly monitored and reviewed to ensure that all employees remain safe. The company's employees are engaged with on a regular basis by means of various surveys and various internal committees to ensure that employee interests are understood and are continually being addressed. Efforts are also made to communicate relevant information to employees on a timely basis, obtain feedback from employees and act on that feedback.

<u>The need to foster the company's business relationships with suppliers, customers and others</u>
The business strives to provide a premier customer experience, driven by providing quality solutions to our customers on time. The business's supply chain is vital to achieving this objective through the maintenance of relationships with all suppliers. Customers and suppliers are engaged with through relevant, dedicated teams to ensure that needs are met and to maintain communication channels. Any relevant matters are raised and discussed at Board level with subsequent feedback to the business.

<u>The impact of the company's operations on the community and the environment</u>
The business implements initiatives, such as community volunteering days, which help to strengthen communities, conserve resources and make a positive environmental impact at the local level. While implementing sustainable business practices across the operations of a global organisation is a complex challenge, doing so also presents a meaningful opportunity to make a positive impact on the lives of team members, the environment and local communities.

The desirability of the company maintaining a reputation for high standards of business conduct
The business has a solid foundation of integrity, with a heritage which is based on a commitment to treat everyone fairly and with consideration. Our commitment to acting ethically is not just a core part of our heritage; we know that it is the right thing to do and is good for our business. The company delivers its ethical standards through the identification of seven virtue ethics which not only deal with the rightness or wrongness of individual actions, but provide guidance for our behaviours, decisions and actions while conducting business.

The need to act fairly as between members of the company
The company has one member, being the immediate holding company, and the directors take all actions to ensure that the affairs of the company are conducted in a manner to the benefit of that sole member. The member is officially communicated with as and when specifically required.

KEY PERFORMANCE INDICATORS
The directors manage the company's operations on a divisional basis. For this reason, the company's directors believe that analysis using key indicators for the company is not necessary or appropriate for an understanding of the development, performance or position of the business of the company.

AUTHORISED FOR ISSUE BY THE BOARD OF DIRECTORS:

....
G M Ellinor - Director

Date: 21 June 2023

Parker Hannifin Manufacturing Limited (Registered number: 04806503)

Report of the Directors
for the Year Ended 30 June 2022

The directors present their annual report and the audited financial statements of the company for the year ended 30 June 2022.

PRINCIPAL ACTIVITY
The principal activity of the company is, and will continue to be, to act as a manufacturer on behalf of Parker Hannifin EMEA Sarl, a fellow group company.

DIVIDENDS
On 29 April 2022, the company declared a dividend of £56,719,028 to its immediate parent entity, Parker Hannifin (GB) Limited, this dividend was satisfied by an assignment of part of a loan receivable from Parker Hannifin EMEA Sarl.

Also on 29 April 2022, the company declared a dividend of £43,280,972 to its immediate parent entity, Parker Hannifin (GB) Limited, this dividend was satisfied by offset of a loan receivable, payable by the parent to the company.

RESEARCH AND DEVELOPMENT
The company has continued to invest in research and development programmes and infrastructure to support and expand its range of products. The company's research and development expenditure for the year ended 30 June 2022 amounts to £3,945,000 (2021: £3,343,000).

FUTURE DEVELOPMENTS
It is anticipated that the company will continue to operate in its current form for the foreseeable future.

EVENTS SINCE THE END OF THE YEAR
Information relating to events since the end of the year is given in the notes to the financial statements.

DIRECTORS
The directors shown below have held office during the whole of the period from 1 July 2021 to the date of this report.

G M Ellinor
J A D Elsey
G E Bielinski-Bradbury
K R Holmes

Other changes in directors holding office are as follows:

A Spivey - resigned 1 December 2021
K Pugh - resigned 24 December 2021
J Griffith - appointed 18 December 2021
N Brogan - appointed 1 December 2021

L Pouchard and N Bayliss were appointed as directors after 30 June 2022 but prior to the date of this report.

GOING CONCERN
The company's business activities, together with the factors likely to affect its future development and position, are set out in the review of business and future developments sections.

The company is expected to continue to generate positive cash flows through its own activities and participates in the group's centralised treasury arrangements. Therefore, treasury banking activity is shared with its parent and fellow subsidiaries. Parker Hannifin Corporation, the ultimate parent undertaking, has undertaken to provide the funds necessary for the company to continue as a going concern for a minimum of twelve months from the date of approval of the financial statements.

On the basis of their assessment of Parker Hannifin Corporation's financial position and of the enquiries made of its directors, the company's directors have a reasonable expectation that the company will be able to continue in operational existence for the foreseeable future, being at least twelve months from the date that the financial statements are authorised for issue. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

POLITICAL DONATIONS AND EXPENDITURE
There were no political donations or expenditure in the current or prior year.

FINANCIAL RISK MANAGEMENT
Financial risk is managed through internal control processes, and review of company and group financial information. Due to the nature of the company's operating model, the company's exposure to price risk, credit risk, liquidity risk and cash flow risk is limited due to the fact that:
(1) The company operates as a manufacturer under a principal operating company model; and
(2) Treasury functions for the Parker group are performed centrally by the Parker EMEA treasury company.

FINANCIAL INSTRUMENTS
The company does not employ the use of complex financial instruments, such as derivatives or hedging contracts.

EMPLOYEE POLICIES
Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned.

In the event of members of staff becoming disabled every effort is made to ensure that their employment with the company continues and the appropriate training is arranged.

It is the policy of the company that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability.

Consultation with employees or their representatives has continued at all levels, with the aim of ensuring that views are taken into account when decisions are made that are likely to affect their interests and that all employees are aware of the financial and economic performance of their business units and of the company as a whole.

Communication with all employees continues through internal communication, briefing groups and the distribution of the annual report.

QUALIFYING THIRD PARTY INDEMNITY PROVISIONS
A qualifying third party indemnity provision as defined in Section 232(2) of the Companies Act 2006 is in force for the benefit of each of the directors and the company secretary in respect of liabilities incurred as a result of their office, to the extent permitted by law.

In respect of those liabilities for which directors may not be indemnified a directors' and officers' liability insurance policy was maintained by the Parker Hannifin Corporation group throughout the financial year.

STREAMLINED ENERGY AND CARBON REPORTING
Overview
Parker Hannifin is responsible for the safe and sustainable operation of manufacturing sites and corporate buildings. The key environmental risks identified include waste management and provision of utilities. The management recognise their responsibility to monitor and control the impact of these risks.

Parker Hannifin hold certification to ISO14001 for some of their UK sites and are actively working towards certification of all sites.

Emissions and Energy Consumption
The information below relates to Parker Hannifin UK locations covering the following legal entities:

- Parker Hannifin Manufacturing Limited
- Parker Hannifin Limited
- Parker Hannifin Manufacturing (UK) Limited

STREAMLINED ENERGY AND CARBON REPORTING (continued)

Global energy Scope 1 and 2 GHG emission data for period **01/07/2021 to 30/06/2022**

Tonnes CO2e

Emissions from	FY21-22 location-based	FY20-21 location-based	Variance location-based	FY21-22 marketbased	FY20-21 market-based	Variance market-based
Scope 1 (Fuel combustion in buildings)	2,127	2,818	-25%	2,127	2,818	-25%
Scope 1 (Fuel combustion in vehicles)	360	38	846%	360	38	846%
Scope 1 (Fuel combustion in mobile and static plant)	40	63	-37%	40	63	-37%
Scope 1 (F-Gas fugitive releases)	53	0	-	53	0	-
Scope 2 (Electricity)	4,746	5,470	-13%	4,746	5,470	-13%

Company's chosen intensity metric **tCO2e/Sales ($000s)**

	FY21-22 location-based	FY21-22 marketbased
Emissions reported per $000s Sales	0.014	0.014

Global energy Scope 1 and 2 GHG emission data for period **01/07/2021 to 30/06/2022**

Energy use (kWh)	FY21-22	FY20-21	Variance
Electricity	22,350,562	23,460,737	-5%
Natural Gas	11,611,856	15,325,924	-24%
Mobile and Static Plant Fuel	154,530	246,486	-37%
Transport Fuel	1,509,688	158,356	853%

Methodology and Estimates

Parker Hannifin complies with the Companies Act 2006 (Strategic Report and Director's Report) Regulations 2013 and the Companies (Director's Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 and our approach to reporting is based on the GHG Protocol Corporate Accounting and Reporting Standard in line with the guidance on SECR.

Our reporting period is for the financial year 1st July 2021 to 30th June 2022, reporting all material GHGemissions using "Tonnes of CO2 equivalent" (tCO2e) as the unit of measurement and reporting energy use in kWh. We have included the energy and emissions for the buildings owned and operated (i.e. those within the financial control boundary).

The results are presented as Location based emissions and Market based emissions, where applicable. Location based reflect the average emissions intensity of grid supplies (using grid average emissions factors) and Market based reflects emissions from electricity where companies have opted to procure green energy or invested in renewable generation.

The methodology used to calculate total energy consumption and carbon emissions has been invoice data for the financial years stated. Where data was not available, estimates have been calculated using historical profiles and details kept in the evidence pack..

Energy and fuel consumption has been converted to carbon (kgCO2e) using DEFRA published conversion factors. Fuel for Transportation has been converted using statistical data sets published by Department of Transport ("DoT") (www.gov.uk/government/statistical-data-sets/energy-and-environment-data-tables-env).

New DEFRA conversion tables are issued in June and cover January to December, due to our financial year covering two data sets. To maintain consistency this report has used the annual published factors covering the financial year starting i.e. July 2021.

STREAMLINED ENERGY AND CARBON REPORTING (continued)

Transport data in FY21-22 was reported as both mileage and costs which when converted into kWh provided an auditable conversion. To report a single unit, mileage has been converted into litres of fuel using the DEFRA tables to calculate average miles per litre and this formula applied and costs converted into litres of fuel using the published tables from DoT.

Gas Oil at Deeside was omitted in previous years but has been included in this report. Similarly, F-Gas Fugitive emissions have not been reported in previous reports as each site records its own, but no centralised database exists. Certain site emissions have been included in this report and Parker is now centrally collating data for inclusion in FY22-23. These corrections and revision of estimated consumptions has resulted in a total emission increase of 50 tCO2e in this report for FY20-21 compared to the emissions published last year.

We have selected the most appropriate intensity metric in line with the primary drivers of energy consumption, where possible. For this report we have selected Sales value in thousands of dollars ($000s) as the most appropriate to achieve a benchmark, which aligns with existing reporting metrics within the business.

Energy Efficiency Action Taken
The United Kingdom and Ireland have continued with the monthly Energy meetings at a national level and smaller quarterly site call meetings with the relevant stakeholders to discuss half hourly data onsite and ongoing projects either in hand or scheduled.

Parker sites are committed to reducing their energy consumption by at least 3% year on year with the commitment from a corporate level of 20% operational reduction by 2030 leading to an absolute net zero commitment by 2040.

Opportunities across the Group Projects which have been implemented include: -
- Compressed Air: - system upgrade, leak detection, system reconfiguration and timer installation
- Lighting: - lighting replacement and upgrades
- Sub-Metering: - Installation and upgrades
- HVAC: - ventilation fan upgrades and compressed air heat recovery
- BMS: - upgrade of control panel

These projects are expected to deliver 545.57 tCO2e savings.

DISCLOSURE IN THE STRATEGIC REPORT
The Review of Business and the Principal Risks and Uncertainties are disclosed in the Strategic Report, along with information on engagement with suppliers, customers and others.

STATEMENT OF DIRECTORS' RESPONSIBILITIES
The directors are responsible for preparing the Strategic Report, the Report of the Directors 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 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom 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.

DISCLOSURE OF INFORMATION TO THE AUDITOR
The directors confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware. The directors also confirm that they have each taken all the steps that they ought to have taken in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

AUDITOR
The auditor, Deloitte LLP, has indicated its willingness to continue in office and a resolution that they be reappointed will be proposed at the annual general meeting.

AUTHORISED FOR ISSUE BY THE BOARD OF DIRECTORS:

....
G M Ellinor - Director

Date: 21 June 2023

Independent Auditor's Report to the Members of
Parker Hannifin Manufacturing Limited

Report on the audit of the financial statements

Opinion
In our opinion the financial statements of Parker Hannifin Manufacturing Limited (the 'company'):
- give a true and fair view of the state of the company's affairs as at 30 June 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:
- the income statement;
- the statement of total comprehensive income;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 29.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

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

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

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of 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 this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Independent Auditor's Report to the Members of Parker Hannifin Manufacturing Limited

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management and the directors about their own identification and assessment of the risks of irregularities, including those that are specific to the company's business sector.

We obtained an understanding of the legal and regulatory frameworks that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act, the relevant pensions and tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty.

We discussed among the audit engagement team including relevant internal specialists such as tax, and pensions specialists regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in the following area, and our procedures performed to address it are described below:

- There is a risk of revenue being incorrectly recorded due to the potential miscalculation of income earned by the company from toller manufacturing. We recalculated the income recognized based on the company's contractual arrangements and agreements with counterparties.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;

- enquiring of management and in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance.

Report on other legal and regulatory requirements

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.

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 any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters 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.

We have nothing to report in respect of these matters.

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.

Andrew Woodhead

Andrew Woodhead FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Statutory Auditor
Cardiff, United Kingdom

Date: 21 June 2023

Parker Hannifin Manufacturing Limited (Registered number: 04806503)

Income Statement
for the Year Ended 30 June 2022

	Notes	30.6.22 £'000	30.6.21 £'000
TURNOVER	6	**117,515**	99,547
Cost of sales		**(110,173)**	(93,959)
GROSS PROFIT		**7,342**	5,588
Administrative expenses		**(266)**	(1,387)
		7,076	4,201
Other operating (expense)/ income		**(548)**	2,548
OPERATING PROFIT	9	**6,528**	6,749
Income from fixed asset investments - net dividends from subsidiary undertakings		**40**	-
Interest receivable and similar income	10	**1,842**	1,779
Other finance income	25	**300**	-
		8,710	8,528
Impairment of fixed asset investments	11	**-**	(3,666)
		8,710	4,862
Interest payable and similar expenses	12	**(443)**	(75)
Other finance costs	25	**-**	(600)
PROFIT BEFORE TAXATION		**8,267**	4,187
Tax on profit	13	**(509)**	(3,015)
PROFIT FOR THE FINANCIAL YEAR		**7,758**	1,172

The notes on pages 17 to 38 form part of these financial statements

Statement of Total Comprehensive Income
for the Year Ended 30 June 2022

	Notes	30.6.22 £'000	30.6.21 £'000
PROFIT FOR THE YEAR		**7,758**	1,172
OTHER COMPREHENSIVE INCOME			
Actuarial gain on pension scheme	25	**39,900**	44,800
Income tax relating to other comprehensive income		**(13,251)**	(8,512)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF INCOME TAX		**26,649**	36,288
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**34,407**	37,460

The notes on pages 17 to 38 form part of these financial statements

Parker Hannifin Manufacturing Limited (Registered number: 04806503)

Balance Sheet
As at 30 June 2022

	Notes	30.6.22 £'000	30.6.21 £'000
FIXED ASSETS			
Intangible assets	15	**37,974**	47,510
Tangible assets	16	**33,189**	27,399
Investments	17	**128,379**	75,424
		199,542	150,333
CURRENT ASSETS			
Debtors: amounts falling due within one year	18	**148,451**	297,154
Cash in hand		**239**	154
		148,690	297,308
CREDITORS			
Amounts falling due within one year	19	**(200,443)**	(191,064)
NET CURRENT (LIABILITIES)/ASSETS		**(51,753)**	106,244
TOTAL ASSETS LESS CURRENT LIABILITIES		**147,789**	256,577
CREDITORS			
Amounts falling due after more than one year	20	**(395)**	(790)
PROVISIONS FOR LIABILITIES	22	**(15,830)**	(2,164)
PENSION ASSET	25	**67,398**	9,197
NET ASSETS		**198,962**	262,820
CAPITAL AND RESERVES			
Called up share capital	23	**68,463**	268,463
Capital contribution reserve	24	**56,884**	56,884
Share option reserve	24	**17,500**	15,765
Profit and loss account	24	**56,115**	(78,292)
SHAREHOLDERS' FUNDS		**198,962**	262,820

The financial statements were approved and authorised for issue by the Board of Directors and authorised for issue on 21 June 2023 and were signed on its behalf by:

....

G M Ellinor - Director

The notes on pages 17 to 38 form part of these financial statements

Parker Hannifin Manufacturing Limited (Registered number: 04806503)

Statement of Changes in Equity for the Year Ended 30 June 2022

	Called up share capital £'000	Profit and loss account £'000	Capital contribution reserve £'000	Share option reserve £'000	Total equity £'000
Balance at 1 July 2020	268,463	(115,752)	56,884	14,153	223,748
Changes in equity					
Profit for the year	-	1,172	-	-	1,172
Other comprehensive income	-	36,288	-	(1)	36,287
Total comprehensive income	-	37,460	-	(1)	37,459
Addition to share option reserve	-	-	-	1,613	1,613
Balance at 30 June 2021	268,463	(78,292)	56,884	15,765	262,820
Changes in equity					
Profit for the year	-	7,758	-	-	7,758
Other comprehensive income	-	26,649	-	-	26,649
Total comprehensive income	-	34,407	-	-	34,407
Dividends	-	(100,000)	-	-	(100,000)
Reduction in share capital	(200,000)	200,000	-	-	-
Addition to share option reserve	-	-	-	1,735	1,735
Balance at 30 June 2022	68,463	56,115	56,884	17,500	198,962

The notes on pages 17 to 38 form part of these financial statements

1. GENERAL INFORMATION ON THE COMPANY

The principal activity of the company is, and will continue to be, to act as a manufacturer on behalf of Parker Hannifin EMEA Sarl, a fellow group company. The company is a wholly owned subsidiary in the group of which Parker Hannifin Corporation is the ultimate parent.

2. STATUTORY INFORMATION

Parker Hannifin Manufacturing Limited is a private company, limited by shares, incorporated in the United Kingdom and registered in England and Wales. The company's registered number and registered office address can be found on the company Information page.

3. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Companies Act 2006.

4. ACCOUNTING POLICIES

Basis of preparing the financial statements
The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value, and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

The functional currency of the company is considered to be pounds sterling because that is the currency of the primary economic environment in which the company operates.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed below.

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

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of paragraphs 11.42, 11.44, 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirement of paragraph 33.7.

The company meets the definition of a qualifying entity under FRS 102, as a member of a group where the parent of that group prepares publicly available consolidated financial statements, and has therefore taken advantage of reduced disclosure exemptions.

Consolidation
The financial statements contain information about Parker Hannifin Manufacturing Limited as an individual company and do not contain consolidated financial information as the parent of a group. The company is exempt under Section 401 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included in the consolidated financial statements of its ultimate parent undertaking, Parker Hannifin Corporation, a company incorporated in the USA.

Related party transactions
The company has taken advantage of exemption, under the terms of Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', not to disclose related party transactions with wholly owned subsidiaries within the group.

4. **ACCOUNTING POLICIES - continued**

Turnover
Turnover, which excludes value added tax, comprises fees for manufacturing services performed on behalf of Parker Hannifin Europe Sarl. The fee revenue is recognised in the period in which the related expenditure is incurred.

Business combinations, goodwill and intangible assets
Combinations of externally acquired business are accounted for using the purchase method. Combinations involving the acquisition of the businesses of other group undertakings, including the hive up of trade and assets of subsidiary undertakings, where there is no change in the ultimate ownership of the business are accounted for as acquisitions using predecessor values.

Goodwill:
Goodwill pertaining to businesses acquired before 1 July 2015, being the excess of the fair value of the purchase price over the fair value of net assets acquired, is accumulated and amortised over the directors' estimate of the life of the goodwill, not exceeding 20 years. Goodwill pertaining to businesses acquired after 1 July 2015 is accumulated and amortised over the directors' estimate of the life of the goodwill, not exceeding 10 years.

Impairment of non-financial assets
At each balance sheet date non-financial assets are assessed to determine whether there is an indication that the asset may be impaired. If there is such an indication the recoverable amount of the asset is compared to the carrying amount of the asset.

The recoverable amount of the asset is the higher of the fair value less costs to sell and value in use. Value in use is defined as the present value of the future cash flows before interest and tax obtainable as a result of the asset's continued use. These cash flows are discounted using a pre-tax discount rate that represents the current market risk-free rate and the risks inherent in the asset. If the recoverable amount of the asset is estimated to be lower than the carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognised in the income statement.

Goodwill is allocated on acquisition to the cash generating unit expected to benefit from the synergies of the combination. Goodwill is included in the carrying value of cash generating units for impairment testing.

Intangible assets
Intangible assets previously acquired before 1 July 2015 are accumulated and amortised over the directors' estimate of the life of the assets, not exceeding 20 years. Intangible assets acquired after 1 July 2015 are accumulated and amortised over the directors' estimate of the life of the assets, not exceeding 10 years.

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

Depreciation is calculated to write down the cost of fixed assets on a straight-line basis over the expected useful lives of the assets concerned. The principal annual rates used for this purpose, which are consistent with those of the previous year are:

Freehold buildings	1%-2.5%, improvements 5%-10%
Leasehold land and buildings	2%-2.5% or over the term of the lease whichever is shorter
Plant and equipment	10% - 40%

Freehold land is not depreciated.

Investments in subsidiaries
Investments in subsidiary undertakings are recognised at cost less any provision for impairment.

4. **ACCOUNTING POLICIES - continued**

Taxation

Taxation 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 in other comprehensive income or directly in equity.

Current or deferred taxation assets and liabilities are not discounted.

Current tax is recognised at the amount of tax payable using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

Timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements. Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the year end and that are expected to apply to the reversal of the timing difference.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Research and development

Research expenditure is written off as incurred. Development expenditure is also written off, except where the directors are satisfied as to the technical, commercial and financial viability of individual projects. In such cases, the identifiable expenditure is capitalised as an intangible asset and amortised over the period during which the Company is expected to benefit. Provision is made for any impairment.

Foreign currencies

The Company's functional and presentation currency is the pound sterling.

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing on that date. Resulting differences on foreign exchange are charged or credited to the income statement and included within administrative expenses.

Operating leases

Annual rentals in relation to operating leases are charged to the income statement on a straight-line basis over the lease term.

4. **ACCOUNTING POLICIES - continued**

Pension costs and other post-retirement benefits

For defined benefit schemes the amounts charged to operating profit are the current service costs and gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the profit and loss account if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The interest cost and the expected return on assets are shown as a net amount of other finance costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in the statement of total comprehensive income.

Defined benefit schemes are funded, with the assets of the scheme held separately from those of the company, in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The resulting defined benefit asset or liability, net of the related deferred tax, is presented separately after other net assets on the face of the balance sheet.

For defined contribution schemes the amount charged to the income statement in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Going concern

The company is expected to continue to generate positive cash flows through its own activities and participates in the group's centralised treasury arrangements. Therefore, treasury banking activity is shared with its parent and fellow subsidiaries. Parker Hannifin Corporation, the ultimate parent undertaking, has undertaken to provide the funds necessary for the company to continue as a going concern for a minimum of twelve months from the date of approval of the financial statements.

On the basis of their assessment of Parker Hannifin Corporation's financial position and of the enquiries made of its directors, the company's directors have a reasonable expectation that the company will be able to continue in operational existence for the foreseeable future, being at least twelve months from the date that the financial statements are authorised for issue. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

4. **ACCOUNTING POLICIES - continued**

Financial instruments
The Company has chosen to apply section 11 of FRS 102 in respect of financial instruments.
Basic financial assets, including trade debtors, amounts owed by group undertakings, cash and cash equivalents, and other debtors are initially recognised at transaction price, and subsequently at amortised cost using the effective interest method.

At the end of the reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment, and an impairment loss is recognised in the income statement if required.

Basic financial liabilities, including trade creditors, amounts owed to group undertakings, and accruals are recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest. Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

If a financial arrangement constitutes a financing transaction, such as an interest bearing long term loan, the transaction is initially measured at the present value of future receipts or payables discounted at a market rate of interest at inception of the arrangement. Subsequent to initial recognition the transaction is measured at amortised cost using the effective interest rate method.

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Company recognises a financial instrument when it becomes party to the contractual provisions of the instrument.

Financial assets are derecognised when the right to receive cash flows ceases, the Company transfers the right to receive cash flows from the asset to a third party, or the Company assumes a contractual obligation to pay the cash flows to one or more recipients.

A financial liability is derecognised when the obligation underlying the liability is extinguished, cancelled or discharged.

Provisions
A provision is recognised where there is a present obligation (either legal or constructive) as a result of a past event and where a transfer of economic benefits is probable to settle the obligation and the obligation can be reliably measured. Provisions are measured at the best estimate of the amount required to settle the obligation at the reporting date.

Share based payments
The company's employees participate in stock incentive plans operated by Parker Hannifin Corporation, the ultimate parent undertaking. All share based payments are equity settled and are measured at fair value at the date of grant. A charge is made to administrative expenses to reflect the calculated fair value of employee options granted over and above the exercisable price paid by the employees. This charge is calculated at the date of the grant of the options and is charged equally over the vesting period. The credit entry is reported directly to reserves as a capital contribution from the ultimate parent undertaking.

The fair value of share based payments is determined by using the Black Scholes option pricing model.

Interest income
Interest income is recognised using the effective interest rate method.

Dividend income
Dividend income is recognised when the right to receive payment is established.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, which are described in note 4, the directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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.

Critical judgements in applying the Company's accounting policies
The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Pension assumptions:
Directors take advice from the actuary and base their assumptions on realistic longevity and mortality tables, as well as the discount rate and inflation. The company's defined benefit obligation is discounted at a rate set by reference to market yields at the end of the reporting period on high quality corporate bonds. Significant judgement is required when setting the criteria for bonds to be included in the population from which the yield curve is derived. The most significant criteria considered for the selection of bonds include the issue size of the corporate bonds, quality of the bonds and the identification of outliers which are excluded.

Recoverability of intangible assets:
During the year, the directors considered the recoverability of the company's intangible assets arising mainly from its patents, trademarks and other intangibles, which is included in the statement of financial position at 30 June 2022 with a carrying amount of £12,942,000 (30 June 2021: £15,862,000). A full impairment review of the intangible assets was performed based on a five year discounted cashflow into perpetuity, using a weighted average cost of capital of 10% (30 June 2021: 10%). No impairment was identified.

Impairment of goodwill:
Determining whether goodwill is impaired requires an analysis of indicators of impairment and, if any such identified, an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The carrying amount of goodwill at 30 June 2022 was £25,032,000 (30 June 2021: £31,648,000). A full impairment review of the intangible assets was performed based on a five year discounted cashflow into perpetuity, using a weighted average cost of capital of 10% (30 June 2021: 10%). No impairment was identified.

Key source of estimation uncertainty
There are no key assumptions concerning the future, or other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

6. TURNOVER

The turnover and profit before taxation are attributable to the one principal activity of the company.

All turnover and profits and losses were derived from continuing activities.

All turnover is from transactions with Parker Hannifin EMEA Sarl, a fellow group company based in Switzerland. A geographical analysis of turnover is therefore not required.

7. EMPLOYEES AND DIRECTORS

	30.6.22	30.6.21
	£'000	£'000
Wages and salaries	57,927	50,477
Social security costs	6,463	5,624
Other pension costs	12,258	12,915
	76,648	69,016

The average number of employees during the year was as follows:

	30.6.22	30.6.21
Production	618	536
Administration	700	670
	1,318	1,206

Included within staff costs are termination payments of £96,000 (2021: £1,387,000).

8. DIRECTORS' EMOLUMENTS

	30.6.22	30.6.21
	£'000	£'000
Directors' remuneration	1,298	1,148
Directors' pension contributions to money purchase schemes	160	139

The number of directors to whom retirement benefits were accruing was as follows:

Money purchase schemes	7	6
Defined benefit schemes	1	1

Five directors exercised share options during the year (2021 - five directors).

Information regarding the highest paid director is as follows:

	30.6.22	30.6.21
	£'000	£'000
Emoluments	274	246
Pension contributions to money purchase schemes	38	37

9. OPERATING PROFIT

The operating profit is stated after charging/(crediting):

	30.6.22	30.6.21
	£'000	£'000
Hire of plant and machinery	823	1,104
Other operating leases	1,143	1,150
Depreciation - owned assets	4,397	4,176
Goodwill amortisation	6,616	7,259
Patents and trademarks amortisation	2,122	2,122
Other intangibles amortisation	798	799
Research and development costs	3,945	3,343
Foreign exchange loss/(gain)	93	(152)
Gain on disposal of assets	7	1,498

9. OPERATING PROFIT - continued

	30.06.22	**30.06.21**
Auditor's remuneration - audit of the company's financial statements	94	94
Auditor's remuneration - audit of other group companies in the United Kingdom paid by the Company and not recharged to group companies	118	118
Total audit fees	**212**	**212**
Auditor's remuneration - tax services	79	70
Total non-audit fees	**79**	**70**

Amortisation of intangible assets is included in the Cost of sales line of the income statement.

10. INTEREST RECEIVABLE AND SIMILAR INCOME

	30.6.22	30.6.21
	£'000	£'000
On amounts owed by group undertakings	**1,842**	1,779

11. IMPAIRMENT OF FIXED ASSET INVESTMENTS

	30.6.22	30.6.21
	£'000	£'000
Impairment of fixed asset investments	-	3,666

12. INTEREST PAYABLE AND SIMILAR EXPENSES

	30.6.22	30.6.21
	£'000	£'000
Interest payable	**443**	75

13. TAXATION

Analysis of the tax charge
The tax charge on the profit for the year was as follows:

	30.6.22	30.6.21
	£'000	£'000
Current tax:		
UK corporation tax	(431)	(360)
Adjustments in respect of previous periods	180	145
Foreign withholding tax	371	444
Total current tax	120	229
Deferred tax:		
Origination and reversal of timing differences	3,186	2,786
Changes in tax rates	(2,797)	-
Total deferred tax	389	2,786
Tax on profit	509	3,015

Reconciliation of total tax charge included in profit and loss
The tax assessed for the year is lower than the standard rate of corporation tax in the UK. The difference is explained below:

	30.6.22	30.6.21
	£'000	£'000
Profit before tax	8,267	4,187
Profit multiplied by the standard rate of corporation tax in the UK of 19% (2021 - 19%)	1,571	795
Effects of:		
Expenses not deductible for tax purposes	1,836	1,649
Capital gain offset	-	117
Transfer pricing adjustment	(215)	(163)
Foreign withholding tax	371	444
Prior year over/underprovision	22	93
Share scheme temporary difference movements	(318)	(617)
Investment impairment	-	696
Effect of change in tax rates	(1,754)	-
Transfer in	(1,004)	-
Total tax charge	509	3,014

Tax effects relating to effects of other comprehensive income

		30.6.22	
	Gross	Tax	Net
	£'000	£'000	£'000
Actuarial gain on pension scheme	39,900	(13,251)	26,649

13. **TAXATION - continued**

		30.6.21	
	Gross	Tax	Net
	£'000	£'000	£'000
Actuarial gain on pension scheme	44,800	(8,512)	36,288

The deferred tax liability at 30 June 2022 has been calculated based on the rate of 25% (at 30 June 2021: 19%), which is the substantively enacted rate at the balance sheet date at which the majority of timing differences are expected to reverse.

At the Budget 2021 on 3 March 2021, the Government announced that the Corporation Tax rate will increase to 25% for companies with profits above £250,000 with effect from 1 April 2023, as well as announcing a number of other changes to allowances and treatment of losses. This increased the deferred tax liability by £3,682,000.

14. **DIVIDENDS**

	30.6.22	30.6.21
	£'000	£'000
Ordinary shares of £1 each		
Final	**100,000**	-

15. **INTANGIBLE FIXED ASSETS**

	Goodwill	**Patents and trademarks**	**Other intangibles**	**Negative goodwill**	**Totals**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
COST					
At 1 July 2021					
and 30 June 2022	**241,622**	**41,153**	**25,645**	**(388)**	**308,032**
AMORTISATION					
At 1 July 2021	**209,974**	**29,346**	**21,590**	**(388)**	**260,522**
Amortisation for year	**6,616**	**2,122**	**798**	**-**	**9,536**
At 30 June 2022	**216,590**	**31,468**	**22,388**	**(388)**	**270,058**
NET BOOK VALUE					
At 30 June 2022	**25,032**	**9,685**	**3,257**	**-**	**37,974**
At 30 June 2021	31,648	11,807	4,055	-	47,510

On 1 December 2021 the company purchased the entire trade and assets of Parker Hannifin Manufacturing (UK) Limited, a fellow group company, with the exception of its investment in Kuroda Precision Industries Limited, for a consideration of £37,650,000. The consideration being in the form of an intercompany loan.

At 30 June 2022, the directors performed a review of internal and external indicators to ascertain whether assets needed to be assessed for impairment. Following the review it was concluded that no indicators of impairment existed.

16. **TANGIBLE FIXED ASSETS**

	Freehold land and buildings £'000	Short leasehold land and buildings £'000	Long leasehold land and buildings £'000	Plant and equipment £'000	Totals £'000
COST					
At 1 July 2021	23,074	8,387	187	13,799	45,447
Additions	99	10	-	4,922	5,031
Disposals	(74)	(2)	-	(5,032)	(5,108)
Acquisition	2,736	-	-	2,688	5,424
At 30 June 2022	25,835	8,395	187	16,377	50,794
DEPRECIATION					
At 1 July 2021	8,264	5,168	117	4,499	18,048
Charge for year	603	673	19	3,102	4,397
Disposals	(54)	(1)	-	(4,785)	(4,840)
At 30 June 2022	8,813	5,840	136	2,816	17,605
NET BOOK VALUE					
At 30 June 2022	17,022	2,555	51	13,561	33,189
At 30 June 2021	14,810	3,219	70	9,300	27,399

Included within freehold land and buildings is land with a cost at 30 June 2022 of £2,507,000 (30 June 2021: £2,581,000) which is not depreciated.

17. **INVESTMENTS**

	Subsidiary undertakings £'000
COST	
At 1 July 2021	453,554
Additions	53,323
Disposals	(368)
At 30 June 2022	506,509
PROVISIONS	
At 1 July 2021 and 30 June 2022	378,130
NET BOOK VALUE	
At 30 June 2022	128,379
At 30 June 2021	75,424

17. **INVESTMENTS - continued**

On 1 November 2021 the company purchased the entire share capital of Parker Hannifin Industries Limited from Parker Hannifin Holding EMEA Sarl for a cash consideration of £53,323,000.

The company reviewed the carrying value of investments in active subsidiaries as at 30th June 2022, no impairment was identified as a result. (2021: impairment of £3,666,000).

At 30 June 2022 the company held ordinary shares in the allotted share capital of the following companies:

	Country of registration and operation	Percentage held	Nature of business
* Indirectly held			
Parker Hannifin Pension Trustees Limited	England	100%	Dormant
Commercial Intertech Limited	England	100%	Dormant
SSD Drives Limited	England	100%	Dormant
Kenmore UK Limited	England	100%	Dormant
domnick hunter Group Limited	England	100%	Intermediate holding company
* domnick hunter Limited	England	100%	Dormant
* domnick hunter Fabrication Limited	England	100%	Dormant
* domnick hunter Investments Limited	Scotland	100%	Intermediate holding company
* Tanlea Engineering Limited	England	100%	Dormant
Olaer Fawcett Christie Limited	England	100%	In liquidation
* Bretby Gammatech Limited	England	100%	In liquidation
Vansco Electronics (UK) Limited	England	100%	In liquidation
Tecknit Europe Limited	England	100%	In liquidation
President Engineering Group Limited	England	100%	In liquidation
Kittiwake Developments Limited	England	100%	In liquidation
Parker Hannifin Industries Limited	England	100%	Dormant
*Parker Hannifin Manufacturing (UK) Limited	England	100%	Investment Holding Company
*Kuroda Precision Industries	Japan	16.7%	Trading
Commercial Intertech Holdings Limited	England	100%	Dormant
Commercial Hydraulics Pensions Limited	England	100%	Pension Trustee Co

Olaer Fawcett Christie Limited was still in liquidation as at 30th June 2022, however this entity was subsequently liquidated on 15 July 2022.

The registered office of all subsidiaries is 2nd floor, Suite 2A, Breakspear Park, Breakspear Way, Hemel Hempstead, HP2 4TZ, United Kingdom with the exception of Domnick Hunter Investments Limited, which is registered to 3-5 Melville Street, Edinburgh, EH3 7PE.

18. **DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	30.6.22	30.6.21
	£'000	£'000
Trade debtors	**165**	384
Amounts owed by parent	**-**	42,981
Amounts owed by other group companies	**136,974**	243,828
Other debtors	**1,234**	1,356
Tax	**1,441**	1,561
VAT	**3,038**	2,064
Prepayments and accrued income	**5,599**	4,980
	148,451	297,154

18. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR - continued

Included within amounts owed by group undertakings, in amounts falling due within one year, are the following loan receivables:

Principal Balance	Maturity date	Interest rate	Accrued interest
£31,471,794	29 June 2023	0.67875%	£218,789

Other amounts owed by group undertakings are unsecured, interest free and repayable on demand.

19. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	30.6.22	30.6.21
	£'000	£'000
Trade creditors	11,706	8,763
Amounts owed to subsidiaries	144,835	103,983
Amounts owed to other group companies	28,109	65,377
Social security and other taxes	5,274	4,734
Other creditors	4,868	3,421
Accruals and deferred income	5,651	4,786
	200,443	191,064

Included within amounts owed to group undertakings are the following loan payables:

Principal Balance	Maturity date	Interest rate	Accrued interest
£37,649,491	1 December 2022	1.65%	£360,816
£78,072	30 March 2023	0.6615%	£131

Other amounts owed to group undertakings are unsecured, interest free and repayable on demand.

20. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	30.6.22	30.6.21
	£'000	£'000
Other creditors	395	790

21. LEASING AGREEMENTS

Minimum lease payments under non-cancellable operating leases fall due as follows:

	30.6.22	30.6.21
	£'000	£'000
Within one year	1,651	1,823
Between one and five years	3,869	2,391
In more than five years	1,494	-
	7,014	4,214

22. PROVISIONS FOR LIABILITIES

	30.6.22 £'000	30.6.21 £'000
Deferred tax		
Accelerated capital allowances	(3,332)	(2,144)
Pension	16,849	1,747
Share options	(1,412)	(943)
Fair value adjustments	3,235	3,014
	15,340	1,674
Other provisions		
Dilapidation provision	490	490
Aggregate amounts	15,830	2,164

	Deferred tax £'000	Other provisions £'000
Balance at 1 July 2021	1,674	490
Charge to Income Statement during year	3,345	-
Arising on actuarial gain/loss	9,975	-
Rate change profit and loss	(2,797)	-
Rate change OCI	3,276	-
Transfer in	27	-
Prior year adjustment	(160)	-
Balance at 30 June 2022	15,340	490

22. PROVISIONS FOR LIABILITIES - continued

A deferred tax asset in respect of losses amounting to £25,253,000 (2021: £25,253,000) has not been provided due to the uncertainty regarding the timing of the recoverability of the asset. These tax losses do not have an expiry date.

The amount of the deferred tax asset which will reverse in the period immediately following the reporting period cannot be reliably estimated, as the majority of the asset relates to movements on the pension liability and this information is not available until the end of that period.

Other provisions - Dilapidations

	£'000
Balance at 1 July 2021	490
Charge/(credit) to income statement	-
Balance at 30 June 2022	490

The dilapidations provision estimates the cost to restore to its original state the property to which it applies. The expected timing of the resulting payments is September 2023.

23. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	**30.6.22 £'000**	30.6.21 £'000
68,462,581 (30.6.21 - 268,462,585)	Ordinary	£1	**68,463**	268,463

There are no rights preferences or restrictions attached to ordinary shares.

24. RESERVES

Share premium account
The reserve records the amount above the nominal value received for shares issued, less transaction costs if applicable.

Capital contribution reserve
This balance represents the value of assets contributed by the parent company.

Share option reserve
This reserve records the value of Parker Hannifin Corporation share incentive plans, relative to employees of the company, in the period between grant date and the vesting date.

Profit and loss account
This represents accumulated retained earnings.

25. EMPLOYEE BENEFIT OBLIGATIONS

The company's main defined benefit pension arrangement in the UK is the Parker Hannifin Pension and Death Benefit Plan (the "Parker Plan"), which provides benefits on a defined benefit basis. On 30 June 2004, the Parker Plan was closed to new employees, however benefits continue to accrue for existing members. The company also operates a defined contribution scheme.

One of the fellow subsidiary companies, Parker Hannifin Limited, also contributes into the Parker Plan, with Parker Hannifin Manufacturing Limited being the Principal Employer.

During the year, the company made a special contribution of £11.0 million (30 June 2021: £10.2 million). The company's current contribution rate to the Parker Plan is 17.2% (30 June 2021: 17.2%) of pensionable pay. The company contributed £23.9 million (30 June 2021: £23.9 million) in total to the Parker Plan during the year which includes the special contribution of £11.0 million (30 June 2021: £10.2 million).

For the purpose of FRS102, the disclosures below set out the valuations as at 30 June 2022 of the defined benefit section of the Parker Plan. The valuation has been made under the Projected Unit Credit actuarial method to assess the Plans' liabilities. The most recent assessment of the Parker Plan's financial position was carried out as at 30 June 2020. This assessment has been updated to 30 June 2022 by qualified actuaries who are independent of the company.

The Commercial Intertech Limited Retirement Benefits Plan and the Ultra Group Pension Scheme were merged into the Parker Plan on 3 July 2003 and historic figures in respect of these arrangements are included in the disclosures. Historic figures are also included in respect of the Kontak Works Plan which was wound up and members' benefits secured with an insurance company with effect from 30 June 2004.

The Parker Plan closed to new members on 30 June 2004 and so the service cost is expected to increase as the members approach their retirements.

The amounts recognised in the balance sheet are as follows:

	Defined benefit pension plans	
	30.6.22	30.6.21
	£'000	£'000
Present value of funded obligations	**(338,695)**	(459,595)
Fair value of plan assets	**406,093**	468,792
	67,398	9,197
Present value of unfunded obligations	**-**	-
Surplus	**67,398**	9,197
Net asset	**67,398**	9,197

25. EMPLOYEE BENEFIT OBLIGATIONS - continued

The amounts recognised in profit or loss are as follows:

	Defined benefit pension plans	
	30.6.22	30.6.21
	£'000	£'000
Current service cost	**4,600**	5,400
Net interest from net defined benefit asset/liability	**(300)**	600
Past service cost	**-**	-
Administrative expense	**1,200**	1,200
	5,500	7,200
Actual return on scheme assets	**(73,600)**	32,300

The cumulative amount of actuarial losses recognised in the financial statements is £77.2 million (30 June 2021: £117.1 million).

Changes in the present value of the defined benefit obligation are as follows:

	Defined benefit pension plans	
	30.6.22	30.6.21
	£'000	£'000
Opening present value of scheme liabilities	**459,595**	478,495
Current service cost	**4,600**	5,400
Contributions paid	**100**	100
Interest on pension scheme liabilities	**7,700**	6,200
Actuarial gain	**(121,500)**	(18,100)
Benefits paid	**(11,800)**	(12,500)
	338,695	459,595

Changes in the fair value of scheme assets are as follows:

	Defined benefit pension plans	
	30.6.22	30.6.21
	£'000	£'000
Opening fair value of scheme assets	**468,792**	426,293
Contributions paid	**23,901**	23,899
Interest income	**8,000**	5,600
Actuarial (loss)/gain	**(81,600)**	26,700
Benefits and expenses paid	**(13,000)**	(13,700)
	406,093	468,792

25. EMPLOYEE BENEFIT OBLIGATIONS - continued

The amounts recognised in other comprehensive income are as follows:

	Defined benefit pension plans	
	30.6.22	30.6.21
	£'000	£'000
Actual return less expected return on pension scheme assets	**(81,600)**	26,700
Actuarial gains arising on scheme liabilities	**121,500**	18,100
	39,900	44,800

The major categories of scheme assets as amounts of total scheme assets are as follows:

	Defined benefit pension plans	
	30.6.22	30.6.21
	£'000	£'000
Equities	**129,400**	179,362
Bonds	**114,000**	141,225
Index linked gilts	**158,200**	143,156
Other	**4,493**	5,049
	406,093	468,792

The asset amounts above are at fair value.

The long term expected rate of return at 30 June 2022 was 4.0% (30 June 2021: 4.0%).

Principal actuarial assumptions at the balance sheet date (expressed as weighted averages):

	30.6.22	30.6.21
Discount rate	**3.85%**	1.90%
Rate of increase in salaries	**2.90%**	2.80%
Rate of increase in pensions in payment	**2.80%**	2.70%
CPI inflation	**2.20%**	2.10%
RPI inflation	**2.90%**	2.80%

The mortality assumptions are based on standard mortality tables which allow for expected future mortality improvements. The assumptions are that a member currently aged 65 will live on average for a further 21.8 years (30 June 2021: 21.8 years) if they are male, and for a further 23.8 years (30 June 2021: 23.8 years) if they are female.

25. **- continued**

The actual amount to be charged to the income statement for the next financial year is likely to be different from that estimated above. This may be due to changes to scheme benefits, settlement/curtailment events that are not yet known or actual scheme cash flows being different to expected cash flows. The estimated amount of contributions to the scheme for the next financial year is £23,100,000.

Guaranteed Minimum Pension (GMP) Equalisation
The Directors continue to consider the impact of GMP equalisation for the company.

Defined contribution scheme

The cost of contributions made by the company to the defined contribution scheme amounted to £7,658,000 (30 June 2021: £7,515,000), there were no payments outstanding at the current year or prior year balance sheet date.

26. **ULTIMATE PARENT COMPANY AND CONTROLLING PARTY**

The immediate parent undertaking is Parker Hannifin (GB) Limited, a company incorporated in the United Kingdom.

The ultimate parent undertaking and controlling party is Parker Hannifin Corporation, a company incorporated in the State of Ohio, United States of America. Parker Hannifin Corporation is the parent undertaking of the largest and smallest group to consolidate the company's financial statements and copies of its consolidated financial statements can be obtained from the company secretary, Parker Hannifin Corporation, 6035 Parkland Boulevard, Cleveland, Ohio, 44124-4141, United States of America.

27. **POST BALANCE SHEET EVENTS**

Olaer Fawcett Christie Limited, showing as a subsidiary at the balance sheet date, was in liquidation as at 30 June 2022, however this entity was subsequently dissolved on 15 July 2022.

28. EMPLOYEE SHARE SCHEMES

Share based payments

The company's ultimate parent undertaking, Parker Hannifin Corporation, has stock incentive plans that provide for the granting of nonqualified stock options and stock appreciation rights ("SAR"), restricted stock units ("RSU") and restricted and unrestricted stock to officers, directors and key employees of the group. The company satisfies share-based incentive award obligations by issuing shares of common stock out of treasury, which have been repurchased pursuant to the company's share repurchase program or through the issuance of previously unissued common stock.

Stock options and stock appreciation rights

The nonqualified stock options allow the recipient to purchase shares of common stock at a price not less than 100% of the market value of the stock on the date options are granted. Upon exercise, SARs entitle the participant to receive shares of common stock equal to the increase in value of the award between the grant date and the exercise date. Outstanding options and SAR's are exercisable from one to three years after the date of grant and expire no more than ten years after grant.

The number and weighted average exercise prices of stock options are as follows:

	30.6.22 Number of options	30.6.22 Weighted average exercise price USD	30.6.21 Number of options	30.6.21 Weighted average exercise price USD
Outstanding at 1 July	69,624	156.91	84,898	140.30
Granted during the year	8,886	296.00	15,083	209.56
Cancelled during the year	(9,633)	157.48	(1,400)	184.64
Exercised during the year	(2,110)	231.51	(28,957)	134.30
Outstanding at 30 June	66,767	174.11	69,624	156.91
Exercisable at 30 June	41,879	145.44	37,668	134.81

The weighted average fair value of stock options granted in the year was US$727,000 (30 June 2021: US$805,000).

The stock options outstanding at 30 June 2022 have a weighted average exercise price of US$174.11 (30 June 2021: US$156.91).

Restricted stock units

The RSU's constitute an agreement to deliver shares of common stock to the recipient at the end of a vesting period. The RSU's vest and the underlying stock is issued over a three year rateable vesting period. The fair value of each RSU award is based on the market value of the group's common stock on the date of grant. Unvested RSU's may not be transferred and do not have dividend or voting rights. For each unvested RSU, recipients are entitled to receive a dividend equivalent, payable in cash or common shares, equal to the cash dividend per share paid to common shareholders.

28. EMPLOYEE SHARE SCHEMES (continued)

The number and weighted average exercise prices of RSU's are as follows:

	30.6.22 Number of RSU's	30.6.22 Weighted average grant date fair value USD	30.6.21 Number of RSU's	30.6.21 Weighted average grant date fair value USD
Outstanding at 1 July	8,495	188.02	8,606	161.15
Granted during the year	1,446	314.91	4,869	210.60
Vested	(4,060)	174.98	(4,437)	161.18
Cancelled	(224)	230.83	(543)	183.94
Outstanding at 30 June	5,657	227.37	8,495	188.02

The weighted average fair value of RSU's granted in the year was US$455,000 (30 June 2021: US$1,025,000).

Long term incentive plans

The company's Long Term Incentive Plans (LTIP) provide for the issuance of unrestricted stock to certain key employees based on the attainment of certain goals relating to the company's revenue growth, earnings per share growth and return on invested capital during the three-year performance period. No dividends or dividend equivalents are paid on unearned shares.

The fair value of the LTIP award granted was based on the fair market value of the company's common stock on the date of grant. A summary of the status and changes of shares relating to the LTIP and the related average price per share follows:

	30.6.22 Number of shares	30.6.22 Weighted average grant date fair value USD	30.6.21 Number of shares	30.6.21 Weighted average grant date fair value USD
Outstanding at 1 July	5,756	195.59	5,901	185.36
Granted during the year	1,371	313.89	1,547	247.09
Vested	(2,672)	166.94	(1,692)	206.99
Cancelled	(550)	220.33	-	-
Outstanding at 30 June	3,905	253.24	5,756	195.59

During 2022, 2,816 unrestricted shares were issued with a total fair value at the date of issuance of $764,206. During 2022, 2021 and 2020, the company recorded stock-based compensation expense of $569,140, $670,108 and $478,163, respectively relating to the LTIP.

The fair values for the significant stock-based awards granted in 2022 and 2021 were estimated at the date of grant using a Black-Scholes option pricing model with the following weighted-average assumptions:

	30.6.22	30.6.21
Weighted average fair value	US$81.14	US$53.39
Expected volatility	36.4%	35.9%
Expected option life	5.1 years	4.9 years
Expected dividends	1.8%	2.0%
Risk free interest rate	0.8%	0.3%

28. EMPLOYEE SHARE SCHEMES (continued)

The expected volatility is based on the historic volatility (calculated based on the weighted average remaining life of the share options). Expected dividends are based on historical dividends. Changes in the subjective input assumptions could materially affect the fair value estimate.

The total expenses recognised for the year arising from share based payments are as follows:

	30.6.22	30.6.21
	£'000	£'000
Total expense	1,735	1,612

29. ACQUISITIONS

On 1 December 2021 the company purchased the entire trade and assets of Parker Hannifin Manufacturing (UK) Limited, a fellow group company, with the exception of its investment in Kuroda Precision Industries Limited, for a consideration of £37,650,000. The consideration being in the form of an intercompany loan.

The aggregate fair values of the assets and liabilities at the date of acquisition were as follows:

	£ '000 Book Value	**£ '000 Fair Value Uplift**	**£ '000 Fair Value**
Tangible fixed assets	5,406	-	5,406
Prepayments	115	-	115
Debtors - Third party	615	-	615
Intercompany receivables (net)	35,444	-	35,444
Creditors	(3,546)	-	(3,546)
Accruals	(384)		(384)
Net assets acquired	37,650	-	37,650
Goodwill (Note 14)			-
Consideration - Current debt			37,650

The operations of the acquisition above have been amalgamated with the company to such an extent that it is not possible to determine the amounts of revenue and profit or loss attributable to these since the acquisition date.