

Registered number: 01157634

RELATED FLUID POWER LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

RELATED FLUID POWER LIMITED

COMPANY INFORMATION

DIRECTORS

J B Spittle
J P Spittle
A J Spittle
J F Spittle
G Sturgess (resigned 30 July 2021)
R Lennie
J S Lee

COMPANY SECRETARY

J F Spittle

REGISTERED NUMBER

01157634

REGISTERED OFFICE

10 Elm Court
Arden Street
Stratford upon Avon
Warwickshire
CV37 6PA

INDEPENDENT AUDITORS

EQ Accountants LLP
Chartered Accountants & Statutory Auditors
14 City Quay
Dundee
DD1 3JA

RELATED FLUID POWER LIMITED

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**STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020**

INTRODUCTION

The directors present the strategic report of the Company for the year ended 31 December 2020.

BUSINESS REVIEW

The principal activity of the Company continues to be that of the design, manufacture and supply of high quality, cost effective hydraulic products. The Directors are committed to improving efficiencies to allow the company to be more competitive and flexible in fluctuating market conditions. The company continues to build strong relationships with customers and suppliers, developing systems and processes to accommodate varying requirements. The company is also focused on environmental issues, both in its own workings and the development of products.

The performance in the last twelve months has continued to grow in challenging circumstances, both with existing and new projects. The Directors are confident this will continue in the coming months and years.

PRINCIPAL RISKS AND UNCERTAINTIES

Commercial risk

In March 2020, the World Health Organisation declared COVID-19 a pandemic and enforced closure of the plant during lockdown interrupted the manufacture and supply to our customers. As restrictions were lifted a return to revised working conditions gradually occurred from June onwards building month on month. The impact of COVID-19 was a 30% reduction in turnover in the year. Turnover levels recovered towards the end of 2020 and have continued to grow in 2021.

Exchange rate risk

The Company imports raw materials/components from global suppliers, as well as selling worldwide and will experience fluctuations in foreign exchange rates. With the uncertainty around international trade in light of COVID-19 and Brexit, the Directors are mindful of the implications both can have on the Company and steps have been put in place to minimise impact accordingly.

Environmental risk

The Company recognises the importance of assessing any potential for causing harm to the environment and to put in place respective mitigation programs and procedures to reduce or eliminate any risk. It is intent on reducing carbon emissions and environmental waste where possible.

We engage with suppliers and customers on packing requirements to reduce waste and have introduced such programs as 'returnable packaging', 'reduced /no plastic packaging' and 'consolidated / full pallet shipments'.

Health and safety legislation

The company recognises the importance of, and has policies and procedures in place to ensure, its health and safety requirements are met at all times.

FINANCIAL KEY PERFORMANCE INDICATORS

The Company measures KPIs on a monthly basis as part of its internal control processes and management accounts function.

The KPIs are turnover, gross profit, operating profit and net assets which all continue to show positive results.

OTHER KEY PERFORMANCE INDICATORS

There are no other key performance indicators that the Company uses to measure performance.

RELATED FLUID POWER LIMITED

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020**

This report was approved by the board on 21 September 2021 and signed on its behalf.

J F Spittle
Director

RELATED FLUID POWER LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

The directors present their report and the financial statements for the year ended 31 December 2020.

DIRECTORS' RESPONSIBILITIES STATEMENT

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

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

- select suitable accounting policies for the Company's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £689,458 (2019 - £198,059).

A dividend of £84,970 (2019 - £169,942) was paid during the year.

DIRECTORS

The directors who served during the year were:

J B Spittle
J P Spittle
A J Spittle
J F Spittle
G Sturgess (resigned 30 July 2021)
R Lennie
J S Lee

DISCLOSURE OF INFORMATION TO AUDITORS

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

RELATED FLUID POWER LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020**

POST BALANCE SHEET EVENTS

There have been no significant events affecting the Company since the year end.

AUDITORS

The auditors, EQ Accountants LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

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

J F Spittle
Director

Date: 21 September 2021

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF RELATED FLUID POWER LIMITED

OPINION

We have audited the financial statements of Related Fluid Power Limited (the 'Company') for the year ended 31 December 2020, which comprise the Statement of comprehensive income, the Statement of financial position, the Statement of cash flows, the Statement of changes in equity and the related notes, 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 102 '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 Auditors' 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 United Kingdom, including the Financial Reporting Council'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 Auditors' 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 AUDITORS' REPORT TO THE MEMBERS OF RELATED FLUID POWER LIMITED (CONTINUED)

OPINION 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.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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.

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

As explained more fully in the Directors' responsibilities statement set out on page 9, 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF RELATED FLUID POWER LIMITED (CONTINUED)

AUDITORS' 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 Auditors' 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.

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 gained an understanding of the legal and regulatory framework applicable to the company and the industry in which it operates, and considered the risk of acts by the company that were contrary to applicable laws and regulations, including fraud. We designed audit procedures to respond to the risk, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

We focussed on laws and regulations which could give rise to a material misstatement in the financial statements, including, but not limited to, the Companies Act 2006 and UK tax legislation. Our tests included agreeing the financial statement disclosures to underlying supporting documentation, enquiries with management. There are inherent limitations in the audit procedures described above and, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. We did not identify any key audit matters relating to irregularities, including fraud. As in all our audits, we also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

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 Auditors' report.

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 Auditors' 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.

RELATED FLUID POWER LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF RELATED FLUID POWER LIMITED (CONTINUED)

Mark Gallacher (Senior statutory auditor)

for and on behalf of

EQ Accountants LLP

Chartered Accountants

Statutory Auditors

14 City Quay

Dundee

DD1 3JA

21 September 2021

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020**

	Note	2020 £	<i>As restated 2019 £</i>
Turnover	4	6,708,919	9,644,065
Cost of sales		<u>(4,751,877)</u>	<u>(7,298,960)</u>
Gross profit		1,957,042	2,345,105
Distribution costs		(86,835)	(136,567)
Administrative expenses		(1,611,448)	(1,861,508)
Other operating income	5	<u>494,848</u>	<u>(30,279)</u>
Operating profit	6	753,607	316,751
Interest receivable and similar income	10	221	2
Interest payable and similar expenses		<u>(25,635)</u>	<u>(56,992)</u>
Profit before tax		728,193	259,761
Tax on profit	11	<u>(38,735)</u>	<u>(61,702)</u>
Profit for the financial year		<u>689,458</u>	<u>198,059</u>

There were no recognised gains and losses for 2020 or 2019 other than those included in the statement of comprehensive income.

The notes on pages 20 to 34 form part of these financial statements.

RELATED FLUID POWER LIMITED

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

	Note	2020 £	As restated 2019 £
Fixed assets			
Tangible assets	13	1,591,514	1,634,810
Investments	14	1,513	1,513
		<u>1,593,027</u>	<u>1,636,323</u>
Current assets			
Stocks		1,628,259	1,720,665
Debtors: amounts falling due within one year	15	2,079,301	1,832,726
Cash at bank and in hand		651,417	40,962
		<u>4,358,977</u>	<u>3,594,353</u>
Creditors: amounts falling due within one year	16	(1,795,299)	(2,154,045)
Net current assets		<u>2,563,678</u>	<u>1,440,308</u>
Total assets less current liabilities		<u>4,156,705</u>	<u>3,076,631</u>
Creditors: amounts falling due after more than one year	17	(710,401)	(365,657)
Provisions for liabilities			
Deferred tax	20	(104,855)	(116,888)
		<u>(104,855)</u>	<u>(116,888)</u>
Net assets		<u><u>3,341,449</u></u>	<u><u>2,594,086</u></u>
Capital and reserves			
Called up share capital	21	137,806	137,806
Share premium account	22	6,000	6,000
Revaluation reserve	22	142,875	-
Capital redemption reserve	22	6,194	6,194
Profit and loss account	22	3,048,574	2,444,086
		<u><u>3,341,449</u></u>	<u><u>2,594,086</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 21 September 2021.

J P Spittle
Director

A J Spittle
Director

The notes on pages 20 to 34 form part of these financial statements.

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020**

	Called up share capital £	Share premium account £	Capital redemption reserve £	Revaluation reserve £	Profit and loss account £	Total equity £
At 1 January 2019	137,806	6,000	6,194	-	2,415,969	2,565,969
Comprehensive income for the year	-	-	-	-	198,059	
Profit for the year	-	-	-	-	198,059	198,059
Dividends: Equity capital	-	-	-	-	(169,942)	(169,942)
At 1 January 2020	137,806	6,000	6,194	-	2,444,086	2,594,086
Comprehensive income for the year	-	-	-	-	689,458	
Profit for the year	-	-	-	-	689,458	689,458
Surplus on revaluation of freehold property	-	-	-	142,875	-	142,875
Dividends: Equity capital	-	-	-	-	(84,970)	(84,970)
At 31 December 2020	<u>137,806</u>	<u>6,000</u>	<u>6,194</u>	<u>142,875</u>	<u>3,048,574</u>	<u>3,341,449</u>

The notes on pages 20 to 34 form part of these financial statements.

RELATED FLUID POWER LIMITED

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020

	2020 £	2019 £
Cash flows from operating activities		
Profit for the financial year	689,458	198,059
Adjustments for:		
Depreciation of tangible assets	278,865	259,557
Loss on disposal of tangible assets	(4,135)	(2,502)
Government grants	(150,000)	-
Interest paid	25,635	56,992
Interest received	(221)	(2)
Taxation charge	38,735	61,702
Decrease in stocks	92,406	26,147
(Increase)/decrease in debtors	(246,575)	12,380
(Decrease) in creditors	(413,632)	(104,664)
Corporation tax (paid)	(21,924)	(37,739)
Net cash generated from operating activities	<u>288,612</u>	<u>469,930</u>
Cash flows from investing activities		
Purchase of tangible fixed assets	(104,559)	(117,253)
Sale of tangible fixed assets	16,000	18,500
Government grants received	150,000	-
Interest received	221	2
HP interest paid	(10,900)	(17,776)
Net cash from investing activities	<u>50,762</u>	<u>(116,527)</u>
Cash flows from financing activities		
New secured loans	500,000	-
Repayment of loans	(15,864)	(9,518)
Other new loans	35,000	35,000
Repayment of/new finance leases	(71,535)	(148,745)
Dividends paid	(84,970)	(169,942)
Interest paid	(14,735)	(39,216)
Net cash used in financing activities	<u>347,896</u>	<u>(332,421)</u>
Net increase in cash and cash equivalents	<u>687,270</u>	<u>20,982</u>
Cash and cash equivalents at beginning of year	(35,853)	(56,835)
Cash and cash equivalents at the end of year	<u><u>651,417</u></u>	<u><u>(35,853)</u></u>
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	651,417	40,962
Bank overdrafts	-	(76,815)
	<u><u>651,417</u></u>	<u><u>(35,853)</u></u>

**ANALYSIS OF NET DEBT
FOR THE YEAR ENDED 31 DECEMBER 2020**

	At 1 January 2020 £	Cash flows £	New finance leases £	At 31 Decembe 2020 £
Cash at bank and in hand	40,962	610,455	-	651,417
Bank overdrafts	(76,815)	76,815	-	-
Debt due after 1 year	(24,486)	(424,711)	-	(449,197)
Debt due within 1 year	(142,900)	(112,674)	-	(255,574)
Finance leases	(461,728)	96,535	(25,000)	(390,193)
	<u>(664,967)</u>	<u>246,420</u>	<u>(25,000)</u>	<u>(443,547)</u>

The notes on pages 20 to 34 form part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

1. GENERAL INFORMATION

The company is limited by shares and incorporated in England; Registration Number: 01157634. The registered office address is 10 Elm Court, Arden Street, Stratford Upon Avon, Warwickshire, CV37 6PA. The trading address is Cupar Muir, Cupar, Fife, KY15 5SL.

2. ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION OF FINANCIAL STATEMENTS

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

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

The following principal accounting policies have been applied:

2.2 FOREIGN CURRENCY TRANSLATION

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss except when deferred in other comprehensive income as qualifying cash flow hedges.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

2. ACCOUNTING POLICIES (CONTINUED)

2.3 REVENUE

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the Company and the turnover can be reliably measured. Turnover is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before turnover is recognised:

Sale of goods

Turnover from the sale of goods is recognised when all of the following conditions are satisfied:

- the Company has transferred the significant risks and rewards of ownership to the buyer;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of turnover can be measured reliably;
- it is probable that the Company will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

2.4 GOVERNMENT GRANTS

Grants are accounted under the accruals model as permitted by FRS 102. Grants relating to expenditure on tangible fixed assets are credited to profit or loss at the same rate as the depreciation on the assets to which the grant relates. The deferred element of grants is included in creditors as deferred income.

Grants of a revenue nature are recognised in the Statement of comprehensive income in the same period as the related expenditure.

2.5 PENSIONS

Defined contribution pension plan

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

2. ACCOUNTING POLICIES (CONTINUED)

CURRENT AND DEFERRED TAXATION

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

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

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

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

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

2.6 TANGIBLE FIXED ASSETS

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

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives.

Depreciation is provided on the following basis:

Freehold property	-
	2% straight line
Short-term leasehold property	-
	2% straight line
Plant and machinery	-
	10% straight line/ 25% of net book value
Motor vehicles	-
	25% of net book value
Fixtures, fittings and equipment	-
	15% of net book value/ 33.33% straight line

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

2. ACCOUNTING POLICIES (CONTINUED)

2.7 REVALUATION OF TANGIBLE FIXED ASSETS

Individual freehold and leasehold properties are carried at current year value at fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are undertaken with sufficient regularity to ensure the carrying amount does not differ materially from that which would be determined using fair value at the Statement of financial position date.

Fair values are determined from market based evidence normally undertaken by professionally qualified valuers.

Revaluation gains and losses are recognised in other comprehensive income unless losses exceed the previously recognised gains or reflect a clear consumption of economic benefits, in which case the excess losses are recognised in profit or loss.

2.8 STOCKS

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

At each reporting date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

2.9 FINANCIAL INSTRUMENTS

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

3.

JUDGMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the accounting policies, management has not made any significant judgments that have a significant effect on the amounts recognised in the financial statements.

The key assumptions concerning the future, and 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 new financial year are discussed below:

Depreciation

Due to the nature of the company's activities, the plant and machinery depreciation policy is considered to be the most significant estimation within the company's financial statements. The net book value of the plant and machinery as at 31 December 2020 amounted to £905,888 (2019 - £1,104,291).

The plant and machinery depreciation policy, detailed at note 2.5, states the assets are depreciated at either 10% straight line or 25% of net book value.

Management review the depreciation policy regularly to determine whether the rates and methods are reasonable for each machine. If the net book values of these assets were considered to change significantly, a change in the depreciation rates may be required.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

4. TURNOVER

The whole of the turnover is attributable to UK sales of the same class.

	2020 £	2019 £
United Kingdom	<u>6,708,919</u>	<u>9,644,065</u>

5. OTHER OPERATING INCOME

	2020 £	2019 £
Government grants receivable	150,000	-
CRJS income	373,317	-
Sundry income	2,765	8,889
Foreign exchange difference - gain	(31,234)	(39,168)
	<u>494,848</u>	<u>(30,279)</u>

6. OPERATING PROFIT

The operating profit is stated after charging:

	2020 £	2019 £
Exchange differences	31,234	39,168
Other operating lease rentals	<u>9,000</u>	<u>9,000</u>

7. AUDITORS' REMUNERATION

	2020 £	2019 £
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	<u>10,300</u>	<u>11,500</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

8. EMPLOYEES

	2020 £	2019 £
Wages and salaries	1,516,954	1,862,081
Social security costs	149,583	186,799
Cost of defined contribution scheme	77,915	72,072
	<u>1,744,452</u>	<u>2,120,952</u>

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

	2020 No.	2019 No.
Direct	49	50
Administration	6	6
Directors	6	7
	<u>61</u>	<u>63</u>

9. DIRECTORS' REMUNERATION

	2020 £	2019 £
Directors' emoluments	411,323	446,247
Company contributions to defined contribution pension schemes	55,986	43,693
	<u>467,309</u>	<u>489,940</u>

During the year retirement benefits were accruing to 5 directors (2019 - 6) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £105,341 (2019 - £144,262).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £14,853 (2019 - £14,498).

10. INTEREST RECEIVABLE

	2020 £	2019 £
Other interest receivable	<u>221</u>	<u>2</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

11. TAXATION

	2020 £	2019 £
Corporation tax		
Current tax on profits for the year	150,045	60,789
Adjustments in respect of previous periods	(99,277)	-
Deferred tax		
Origination and reversal of timing differences	(12,033)	913
Taxation on profit on ordinary activities	<u>38,735</u>	<u>61,702</u>

FACTORS AFFECTING TAX CHARGE FOR THE YEAR

The tax assessed for the year is lower than (2019 - lower than) the standard rate of corporation tax in the UK of 19% (2019 - 19%). The differences are explained below:

	2020 £	2019 £
Profit on ordinary activities before tax	<u>728,193</u>	<u>259,761</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2019 - 19%)	138,357	49,355
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	57	1,435
Capital allowances for year in excess of depreciation	12,523	1,752
Adjustments to tax charge in respect of prior periods	(4,095)	(376)
Other timing differences leading to an increase (decrease) in taxation	(60,146)	9,098
Adjustment in research and development tax credit leading to an increase (decrease) in the tax charge	(35,143)	-
Book profit on chargeable assets	(785)	(475)
Changes in provisions leading to an increase (decrease) in the tax charge	(12,033)	913
Total tax charge for the year	<u>38,735</u>	<u>61,702</u>

FACTORS THAT MAY AFFECT FUTURE TAX CHARGES

The only factors affecting tax charges are those imposed by HMRC.

RELATED FLUID POWER LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

12. DIVIDENDS

	2020	2019
	£	£
Paid equity dividends on ordinary shares	<u>84,970</u>	<u>169,942</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

13. TANGIBLE FIXED ASSETS

	Freehold property £	Short-term leasehold property £	Plant and machinery £	Motor vehicles £	Fixtures, fitting and equipment £	Total £
Cost or valuation						
At 1 January 2020	550,462	25,722	2,990,186	195,795	341,171	4,103,336
Additions	-	9,459	15,687	76,000	3,413	104,559
Disposals	-	-	-	(50,000)	-	(50,000)
Revaluations	(70,462)	-	-	-	-	(70,462)
				<u>221,795</u>		
At 31 December 2020	<u>480,000</u>	<u>35,181</u>	<u>3,005,873</u>		<u>344,584</u>	<u>4,087,433</u>
Depreciation						
At 1 January 2020	213,337	814	1,885,895	92,332	276,148	2,468,526
Charge for the year on owned assets	7,200	704	214,090	2,553	14,971	239,518
Charge for the year on financed assets	-	-	-	39,347	-	39,347
Disposals	-	-	-	(38,135)	-	(38,135)
On revalued assets	(213,337)	-	-	-	-	(213,337)
				<u>96,097</u>		
At 31 December 2020	<u>7,200</u>	<u>1,518</u>	<u>2,099,985</u>		<u>291,119</u>	<u>2,495,919</u>
Net book value						
At 31 December 2020	<u>472,800</u>	<u>33,663</u>	<u>905,888</u>	<u>125,698</u>	<u>53,465</u>	<u>1,591,514</u>
				<u>103,463</u>		
At 31 December 2019	<u>337,125</u>	<u>24,908</u>	<u>1,104,291</u>		<u>65,023</u>	<u>1,634,810</u>

The net book value of land and buildings may be further analysed as follows:

	2020 £	2019 £
Freehold	472,800	337,125
Short leasehold	33,663	24,908
	<u>506,463</u>	<u>362,033</u>

Land and buildings were revalued by Graham and Sibbald on 11th March 2020. The market value of £480,000 has been calculated based on the estimated amount the property would realise in an arms length sale transaction.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

13. TANGIBLE FIXED ASSETS (CONTINUED)

If the land and buildings had not been included at valuation they would have been included under the historical cost convention as follows:

	2020 £	2019 £
Cost	550,462	550,462
Accumulated depreciation	(213,337)	(213,337)
Net book value	<u><u>337,125</u></u>	<u><u>337,125</u></u>

14. FIXED ASSET INVESTMENTS

	Investments in subsidiary companies £
Cost or valuation	
At 1 January 2020	1,513
At 31 December 2020	<u><u>1,513</u></u>

SUBSIDIARY UNDERTAKING

The following was a subsidiary undertaking of the Company:

Name	Registered office	Principal activity	Class of shares	Holding
Rapid Power International Limited	Cupar Muir, Cupar, Fife, KY15 5SL	Dormant	Ordinary	100 %

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

15. DEBTORS

	2020 £	2019 £
Trade debtors	1,758,833	1,754,202
Other debtors	252,731	47,816
Prepayments and accrued income	67,737	30,708
	<u>2,079,301</u>	<u>1,832,726</u>

16. CREDITORS: Amounts falling due within one year

	2020 £	2019 £
Bank overdrafts	-	76,815
Bank loans	92,593	4,000
Other loans	12,828	6,996
Trade creditors	1,001,173	729,617
Amounts owed to group undertakings	1,513	1,513
Other taxation and social security	357,487	216,768
Obligations under finance lease and hire purchase contracts	128,989	120,557
Other creditors	150,153	950,653
Accruals and deferred income	50,563	47,126
	<u>1,795,299</u>	<u>2,154,045</u>

The bank overdraft and bank loan is secured in favour of Clydesdale Bank plc who hold a fixed and floating charge over the assets of the Company and a standard security over the property.

The other loan of original value £35,000 is provided by The Energy Saving Trust and repayable via 60 equal repayments over a five year term. As long as the terms of this agreement are adhered to, no interest will be charged. In order to comply with the Financial Reporting Standard FRS102, loans of this nature are required to be shown at their 'fair value' at each year end. The directors consider that the fair value does not vary significantly from the amortised cost of the other loan and have therefore chosen not to make this adjustment.

Obligations under finance lease and hire purchase contracts are secured against the relevant tangible assets.

Other creditors include the amounts of £nil (2019 - £818,249) in respect of trade debtor funding under a debt factoring agreement.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

17. CREDITORS: Amounts falling due after more than one year

	2020 £	2019 £
Bank loans	407,407	-
Other loans	41,790	24,486
Net obligations under finance leases and hire purchase contracts	261,204	341,171
	<u>710,401</u>	<u>365,657</u>

18. LOANS

Analysis of the maturity of loans is given below:

	2020 £	2019 £
Amounts falling due within one year		
Bank loans	92,593	4,000
Other loans	12,828	6,996
	<u>105,421</u>	<u>10,996</u>
Amounts falling due 1-2 years		
Bank loans	111,111	-
Other loans	12,828	6,996
	<u>123,939</u>	<u>6,996</u>
Amounts falling due 2-5 years		
Bank loans	296,296	-
Other loans	28,962	17,490
	<u>325,258</u>	<u>17,490</u>
	<u>554,618</u>	<u>35,482</u>

19. HIRE PURCHASE AND FINANCE LEASES

	2020 £	2019 £
Within one year	128,989	120,557
Between 1-5 years	261,204	341,171
	<u>390,193</u>	<u>461,728</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

20. DEFERRED TAXATION

	2020 £
At beginning of year	(116,888)
Charged to profit or loss	12,033
At end of year	(104,855)

The provision for deferred taxation is made up as follows:

	2020 £	2019 £
Accelerated capital allowances	<u>(104,855)</u>	<u>(116,888)</u>

21. SHARE CAPITAL

	2020 £	2019 £
Allotted, called up and fully paid		
47,499 (2019 - 47,499) Ordinary A shares of £1.00 each	47,499	47,499
47,499 (2019 - 47,499) Ordinary B shares of £1.00 each	47,499	47,499
42,808 (2019 - 42,808) Ordinary shares of £1.00 each	42,808	42,808
	<u>137,806</u>	<u>137,806</u>

22. RESERVES

Share premium account

The balance on this account equates to the additional price paid in excess of par value for the share capital of the company when the shares were initially issued.

Revaluation reserve

The balance on this account equates to the uplift in the property value following revaluation.

Capital redemption reserve

The balance on this account equates to the par value of previously issued share capital that has been cancelled.

Profit and loss account

The profit and loss account includes all current and prior period retained profits and losses.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

23. PRIOR YEAR ADJUSTMENT

Retained earnings have been restated to correct an error in overstatement of stock. The effect is to increase cost of sales within the Statement of Comprehensive Income by £47,887 for the year to 31 December 2019 and £268,668 for the period to 31 December 2018.

Within the Statement of Financial Position, this adjustment has had the effect of reducing the stock by £316,555 and other taxation and social security within Creditors: amounts falling due within one year by £63,758.

24. PENSION COMMITMENTS

The Company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to £77,915 (2019 - £72,702). Contributions totaling £NIL (2019 - £NIL) were payable to the fund at the reporting date and are included in creditors.

25. COMMITMENTS UNDER OPERATING LEASES

At 31 December 2020 the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	2020	<i>2019</i>
	£	£
Not later than 1 year	10,148	<i>11,296</i>
Later than 1 year and not later than 5 years	12,000	<i>24,444</i>
	<u>22,148</u>	<i><u>35,740</u></i>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

26. RELATED PARTY TRANSACTIONS

The directors consider themselves to be the only key management personnel and remuneration is disclosed per note 8.

	2020 Sales £	2020 Purchases £	2019 Sales £	2019 Purchases £
Entities with control, joint control or significant influence	<u>1,560</u>	<u>327,370</u>	<u>1,430</u>	<u>519,432</u>
			2020 £	2019 £
Amounts owed to				
Entities with control, joint control or significant influence			<u>270,399</u>	<u>296,163</u>
			2020 £	2019 £
Amounts owed by				
Entities with control, joint control or significant influence			<u>468</u>	<u>156</u>

27. CONTROLLING PARTY

The Company has no ultimate controlling party.

The Company is exempt from producing consolidated accounts under the Companies Act 2006 section 405, as a result of the subsidiary undertaking being dormant, and whose assets are not material to the overall true and fair view of the financial statements.

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