

EDBRO HYDRAULICS LIMITED
STRATEGIC REPORT, REPORT OF THE DIRECTORS AND
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

DTE Business Advisers Limited
Chartered Accountants
Statutory Auditors
The Exchange
5 Bank Street
Bury
BL9 0DN

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FOR THE YEAR ENDED 31 DECEMBER 2022**

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EDBRO HYDRAULICS LIMITED
COMPANY INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2022

DIRECTORS: I Bragg
G MacDonald

REGISTERED OFFICE: Edbro House
Nelson Street
Bolton
Lancashire
BL3 2JJ

REGISTERED NUMBER: 00283933 (England and Wales)

AUDITORS: DTE Business Advisers Limited
Chartered Accountants
Statutory Auditors
The Exchange
5 Bank Street
Bury
BL9 0DN

**STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022**

The directors present their strategic report for the year ended 31 December 2022.

Edbro Hydraulics Limited operates in two major markets, the first being Road Trucks and Trailers, where it is a leading worldwide manufacturer, and secondly the Off-Road market for heavy duty mining trucks (rigid dump trucks). The company manufactures hydraulic actuation equipment and distributes worldwide.

In the year ending 31 December 2022 revenue has improved year on year from £17.6m to £26.2m. This represents an increase of 47% and is a second successive year of growth in revenue as global markets continued to improve from the impacts of the global COVID pandemic.

The UK accounted for 34% of our revenue, which remains below pre-pandemic levels with revenue generation being impacted by the company's long lead-times during the first half of 2022.

The company has taken steps to address manufacturing lead-time which has reduced during the second half of 2022 from 4 months to 4 weeks and the company has established a finished goods stock to further improve our service performance to the UK customer base for 2023.

The 50% growth in year on year sales has been achieved with a 25% increase in direct labour due to improvements in operational efficiency across the factory. This work has allowed the company to reduce most production areas to a single shift operation whilst still supporting growth in output which provides substantial upside capacity for future years.

EBITDA improved year on year from £(1.84)m to £1.24m (post exceptional costs and income). EBITDA is one of our primary metrics measuring operational cash flow generation and this improvement has been achieved despite substantial escalation in raw materials and energy costs which the company was not able to fully pass along to its customers due to competitive pricing in the market.

In order to help stabilise customer pricing and improve material margin the business has embarked on a number of strategic sourcing initiatives which will progressively reduce our material procurement costs as we progress through 2023 and should further improve our material margin and EBITDA generation.

To mitigate the financial impacts of rising energy costs the company has started a number of energy reduction initiatives that will be implemented during 2023, including:

- Installation of more modern energy efficient compressed air equipment.
- Installation of LED lights.
- Process engineering to reduce energy consumption of specific plant and processes.
- Over cladding of a large percentage our roof space to improve insulation levels and installation of fast acting doors to reduce heat loss.
- The installation of a solar power generation system to further improve the company's carbon footprint.

At the end of 2022 the company also adopted a compressed working week to further reduce energy costs. One key performance indicator we track is revenue generation per consumed kWh and this has been progressively improving from the start of 2021 when it was £3/kWh to its current level of £6/kWh, and we expect to see this very positive trend continue as we progress through the coming years.

During 2022 the company increased its business development activities both in terms of resources and marketing events, including exhibiting at BAUMA (construction machinery trade fair) 2022. This has resulted in new business opportunities which will commence during 2023. As a result of this success in the market we are currently predicting sales revenues will continue to grow year on year for the coming two years with the company seeing the full annualized benefit of these initial new contracts in 2024.

During the second half of 2022 the company embarked on a number of R&D projects to develop new products to support further growth, which will include products for our core on-road market segment and also to enter adjacent markets with new products.

**STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022**

One of our key areas of focus in product development is further improving the performance of the product and also reducing the cost to manufacture, including reducing energy. It is anticipated that there will be a number of new products launched in the market in 2023 and 2024, which will also further reduce the company's carbon footprint.

Overall the company's future financial performance is expected to continue to improve both in terms of revenue growth and underlying cash generation from operating activities.

The financial statements have been prepared on a going concern basis.

The company meets its day-to-day working capital requirements through cash generated from operations and through utilization of an invoice finance facility provided by Shawbrook Bank. The company is in regular communication with Shawbrook bank and provides monthly management accounts and cash flow reports, and operates within governance levels set by the bank. The directors have no reason to believe the finance facility will not remain on an ongoing basis.

The company's forecasts and projections show that the company should have adequate financial resources and be able to continue to trade on an on-going operational basis for the next 12 months with the continued support of Endless LLP.

The company monitors critical financial KPI's (key performance indicators) including sales revenue growth, material margin, gross margin, EBITDA, cash flow, debtor and creditors days and also critical non-financial KPI's including safety, quality, lead-time & order backlog and on-time delivery.

The customer service metrics are considered by the company to be critical to the company's longer term customer retention and all have shown substantial improvement as we have progressed through 2022.

The company has adopted D&I (diversity and inclusion) as part of its core principles and this is reflected across our policies covering recruitment and retention to maintain legal compliance and improve employee retention.

Edbro Hydraulics Limited operates an equal opportunities policy and welcomes applications for all vacancies from all parts of the community and will recruit the best person for each vacancy regardless of gender, race, age, religion, belief, sexual orientation, disability, ethnicity, responsibility for dependants, marital status and/or trade union activity.

Employee representatives act on behalf of all employees and are involved in regular health and safety review meetings, operational and business update meetings as well as collective bargaining meetings, and the company is actively focused on ensuring as far as practical possible that employee representatives are a fair and reasonable reflection of our employee demographic as part of our diversity and inclusion principles.

The company is actively developing its Employee Value Proposition (EVP) which includes monthly and annual bonuses linked to operational and financial metrics, salary sacrifice schemes for electric cars, bicycles and child care as well as compressed working week and attractive holiday and time off allowances.

The directors believe that longer term success will be attained through good D&I and EVP programs in attracting and retaining talented and engaged employees.

ON BEHALF OF THE BOARD:

G MacDonald - Director

27 April 2023

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2022**

The directors present their report with the financial statements of the company for the year ended 31 December 2022.

PRINCIPAL ACTIVITIES

The principal activities of the company in the year under review was those of the design, manufacture and sale of hydraulic tipping hoists and hydraulic (mobile) cylinders.

DIVIDENDS

No dividends will be distributed for the year ended 31 December 2022.

RESEARCH AND DEVELOPMENT

The company's activities in research and development are principally concerned with the development of new products and the improvement of existing products.

DIRECTORS

I Bragg has held office during the whole of the period from 1 January 2022 to the date of this report.

Other changes in directors holding office are as follows:

N Geldard Williams - resigned 4 May 2022

G MacDonald - appointed 4 May 2022

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 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 and then apply them consistently;
- make judgements 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 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.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2022**

AUDITORS

DTE Business Advisers Limited has indicated its willingness to be reappointed for another term and appropriate arrangements are being made for it to be deemed reappointed as auditor in the absence of an Annual General Meeting.

ON BEHALF OF THE BOARD:

G MacDonald - Director

27 April 2023

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
EDBRO HYDRAULICS LIMITED**

Opinion

We have audited the financial statements of Edbro Hydraulics Limited (the 'company') for the year ended 31 December 2022 which comprise the Income Statement, Other Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and Notes to the Statement of Cash Flows, Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 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 2022 and of its loss 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 UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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 directors are responsible for the other information. The other information comprises the information in the Strategic Report and the Report of the Directors, but does not include the financial statements and our Report of the Auditors thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether 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.

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 Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Report of the Directors have been prepared in accordance with applicable legal requirements.

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
EDBRO HYDRAULICS LIMITED**

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 Report of the Directors.

We have nothing to report in respect of the following matters where 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 Statement of Directors' Responsibilities set out on page four, 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 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.

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 a Report of the Auditors 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.

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

- We obtained an understanding of the legal and regulatory frameworks applicable to the company. We determined that the following were most relevant: FRS 102, Companies Act 2006, health and safety legislation and control of substances hazardous to health.
- We enquired of management the systems and controls the company has in place, the areas of the financial statements that are mostly susceptible to the risk of irregularities and fraud, and whether there was any known, suspected or alleged fraud. The company did not inform us of any known, suspected or alleged fraud.
- We considered the incentives and opportunities that exist in the company, including the extent of management bias, which present a potential for irregularities and fraud to be perpetuated, and tailored our risk assessment accordingly.
- Using our knowledge of the company, together with the discussions held with the company at the planning stage, we formed a conclusion on the risk of misstatement due to irregularities including fraud and tailored our procedures according to this risk assessment.

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
EDBRO HYDRAULICS LIMITED**

The key procedures we undertook to detect irregularities including fraud during the course of the audit included:

- Identifying and testing journal entries, in particular those that were significant and unusual.
- Performing walkthrough tests of sales and purchases to ensure that appropriate controls and segregation of duties are in place.
- Reviewing the financial statement disclosures and determining whether accounting policies have been appropriately applied.
- Reviewing and challenging the assumptions and judgements used by management in their significant accounting estimates, in particular in relation to depreciation and the level of stock provision required.
- Assessing the extent of compliance, or lack of, with the relevant laws and regulations.
- Testing key revenue lines for evidence of management bias.
- Performing a physical verification of key assets, including stock.
- Obtaining third-party confirmation of material bank and loan balances.
- Documenting and verifying all significant related party balances and transactions.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements even though we have properly planned and performed our audit in accordance with auditing standards. The primary responsibility for the prevention and detection of irregularities and fraud rests with the directors of the entity.

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 Report of the Auditors.

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 a Report of the Auditors 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.

Richard Taylor (Senior Statutory Auditor)
for and on behalf of DTE Business Advisers Limited
Chartered Accountants
Statutory Auditors
The Exchange
5 Bank Street
Bury
BL9 0DN

28 April 2023

**INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2022**

	Notes	2022 £	2021 £
REVENUE	3	26,207,986	17,595,406
Cost of sales		<u>(16,478,695)</u>	<u>(12,031,225)</u>
GROSS PROFIT		9,729,291	5,564,181
Administrative expenses		<u>(10,917,589)</u>	<u>(9,809,597)</u>
		(1,188,298)	(4,245,416)
Other operating income		<u>522,888</u>	<u>569,251</u>
OPERATING LOSS	6	(665,410)	(3,676,165)
Interest receivable and similar income		<u>1,700</u>	<u>1,241</u>
		(663,710)	(3,674,924)
Interest payable and similar expenses	7	<u>(816,346)</u>	<u>(713,058)</u>
LOSS BEFORE TAXATION		(1,480,056)	(4,387,982)
Tax on loss	8	<u>285,621</u>	<u>583,624</u>
LOSS FOR THE FINANCIAL YEAR		<u>(1,194,435)</u>	<u>(3,804,358)</u>

The notes form part of these financial statements

**OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022**

Notes	2022 £	2021 £
LOSS FOR THE YEAR	(1,194,435)	(3,804,358)
OTHER COMPREHENSIVE INCOME		
Revaluation of property	-	6,395,701
Income tax relating to other comprehensive income	-	(1,215,183)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF INCOME TAX	-	5,180,518
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR	(1,194,435)	1,376,160

The notes form part of these financial statements

EDBRO HYDRAULICS LIMITED (REGISTERED NUMBER: 00283933)

**STATEMENT OF FINANCIAL POSITION
31 DECEMBER 2022**

	Notes	2022 £	2021 £
FIXED ASSETS			
Property, plant and equipment	9	12,175,866	13,660,855
CURRENT ASSETS			
Inventories	10	5,100,113	4,300,298
Debtors	11	13,699,307	11,901,887
Cash at bank		<u>2,284,180</u>	<u>2,343,789</u>
		21,083,600	18,545,974
CREDITORS			
Amounts falling due within one year	12	<u>(8,474,535)</u>	<u>(7,945,792)</u>
NET CURRENT ASSETS		<u>12,609,065</u>	<u>10,600,182</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		24,784,931	24,261,037
CREDITORS			
Amounts falling due after more than one year	13	(8,123,774)	(6,422,500)
PROVISIONS FOR LIABILITIES	17	<u>(185,555)</u>	<u>(168,500)</u>
NET ASSETS		<u>16,475,602</u>	<u>17,670,037</u>
CAPITAL AND RESERVES			
Called up share capital	18	22,767,533	22,767,533
Share premium	19	2,640,000	2,640,000
Revaluation reserve	19	5,180,518	5,180,518
Capital redemption reserve	19	2,245,850	2,245,850
Retained earnings	19	<u>(16,358,299)</u>	<u>(15,163,864)</u>
SHAREHOLDERS' FUNDS		<u>16,475,602</u>	<u>17,670,037</u>

The financial statements were approved by the Board of Directors and authorised for issue on 27 April 2023 and were signed on its behalf by:

G MacDonald - Director

The notes form part of these financial statements

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022**

	Called up share capital £	Retained earnings £	Share premium £
Balance at 1 January 2021	4,050	(11,359,506)	2,640,000
Changes in equity			
Issue of share capital	22,763,483	-	-
Total comprehensive income	-	(3,804,358)	-
Balance at 31 December 2021	<u>22,767,533</u>	<u>(15,163,864)</u>	<u>2,640,000</u>
Changes in equity			
Total comprehensive loss	-	(1,194,435)	-
Balance at 31 December 2022	<u>22,767,533</u>	<u>(16,358,299)</u>	<u>2,640,000</u>
	Revaluation reserve £	Capital redemption reserve £	Total equity £
Balance at 1 January 2021	-	2,245,850	(6,469,606)
Changes in equity			
Issue of share capital	-	-	22,763,483
Total comprehensive income	5,180,518	-	1,376,160
Balance at 31 December 2021	<u>5,180,518</u>	<u>2,245,850</u>	<u>17,670,037</u>
Changes in equity			
Total comprehensive loss	-	-	(1,194,435)
Balance at 31 December 2022	<u>5,180,518</u>	<u>2,245,850</u>	<u>16,475,602</u>

The notes form part of these financial statements

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2022**

	Notes	2022 £	2021 £
Cash flows from operating activities			
Cash generated from operations	1	(587,586)	(20,725,176)
Interest paid		(72,865)	-
Interest element of hire purchase payments paid		(867)	-
Finance costs paid		(554,991)	-
Net cash from operating activities		<u>(1,216,309)</u>	<u>(20,725,176)</u>
Cash flows from investing activities			
Purchase of property plant and equipment		(412,540)	(762,975)
Interest received		1,700	1,241
Net cash from investing activities		<u>(410,840)</u>	<u>(761,734)</u>
Cash flows from financing activities			
New loans in year		2,653,973	7,000,000
Loan repayments in year		(661,000)	(195,666)
Interest paid		(187,623)	(713,058)
Capital repayments in year		(2,762)	-
Share issue		-	22,763,483
Loans to group undertakings		(235,048)	(7,369,107)
Government grants received		-	47,884
Net cash from financing activities		<u>1,567,540</u>	<u>21,533,536</u>
(Decrease)/increase in cash and cash equivalents		<u>(59,609)</u>	46,626
Cash and cash equivalents at beginning of year	2	<u>2,343,789</u>	2,297,163
Cash and cash equivalents at end of year	2	<u>2,284,180</u>	<u>2,343,789</u>

The notes form part of these financial statements

**NOTES TO THE STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2022**

1. RECONCILIATION OF LOSS BEFORE TAXATION TO CASH GENERATED FROM OPERATIONS

	2022	2021
	£	£
Loss before taxation	(1,480,056)	(4,387,982)
Depreciation charges	1,906,192	1,806,292
Loss on disposal of fixed assets	30,066	-
Government grants	-	(47,884)
Finance costs	816,346	713,058
Finance income	(1,700)	(1,241)
	<u>1,270,848</u>	<u>(1,917,757)</u>
Increase in inventories	(799,815)	(1,351,454)
(Increase)/decrease in trade and other debtors	(1,276,751)	1,013,384
Increase/(decrease) in trade and other creditors	218,132	(18,469,349)
Cash generated from operations	<u>(587,586)</u>	<u>(20,725,176)</u>

2. CASH AND CASH EQUIVALENTS

The amounts disclosed on the Statement of Cash Flows in respect of cash and cash equivalents are in respect of these Statement of Financial Position amounts:

Year ended 31 December 2022

	31.12.22	1.1.22
	£	£
Cash and cash equivalents	<u>2,284,180</u>	<u>2,343,789</u>

Year ended 31 December 2021

	31.12.21	1.1.21
	£	£
Cash and cash equivalents	<u>2,343,789</u>	<u>2,297,163</u>

3. ANALYSIS OF CHANGES IN NET DEBT

	At 1.1.22	Cash flow	At 31.12.22
	£	£	£
Net cash			
Cash at bank	<u>2,343,789</u>	<u>(59,609)</u>	<u>2,284,180</u>
	<u>2,343,789</u>	<u>(59,609)</u>	<u>2,284,180</u>
Debt			
Finance leases	-	(35,967)	(35,967)
Debts falling due within 1 year	(381,833)	(320,835)	(702,668)
Debts falling due after 1 year	<u>(6,422,500)</u>	<u>(1,672,138)</u>	<u>(8,094,638)</u>
	<u>(6,804,333)</u>	<u>(2,028,940)</u>	<u>(8,833,273)</u>
Total	<u>(4,460,544)</u>	<u>(2,088,549)</u>	<u>(6,549,093)</u>

The notes form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

1. **STATUTORY INFORMATION**

Edbro Hydraulics Limited is a company registered in England and Wales, limited by shares, registration number 00283933. The registered office is Edbro House, Nelson Street, Bolton, Lancashire, BL3 2JJ.

2. **ACCOUNTING POLICIES**

Basis of preparing the financial statements

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. The financial statements have been prepared under the historical cost convention.

The financial statements have been prepared on a going concern basis.

The company meets its day-to-day working capital requirements through cash generated from operations and through utilization of an invoice finance facility provided by Shawbrook Bank. The company is in regular communication with Shawbrook bank and provide monthly management accounts and cash flow reports, and operates within governance levels set by the bank. The directors have no reason to believe the finance facility will not remain on an ongoing basis.

The company's forecasts and projections show that the company should have adequate financial resources and be able to continue to trade on an on-going operational basis for the next 12 months with the continued support of Endless LLP.

Revenue

Revenue comprises revenue recognised by the company in respect of goods and services supplied during the year, excluding Value Added Tax and trade discounts. Revenue is recognised upon despatch of the goods or the provision of the service.

Property, plant and equipment

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life or, if held under a finance lease, over the lease term, whichever is the shorter.

Long leasehold	- 4% on cost
Plant and machinery	- 33% on cost, 20% on cost and 10% on cost

There has been no depreciation charge on the leasehold in the year as the residual value is considered to be the revalued amount and the property is well maintained. The residual values, estimated useful lives and depreciation method of property, plant and equipment are reviewed, and adjusted as appropriate, at each statement of financial position date. The effects of any revision are recognised in the income statement when the change arises.

Government grants

Grants are accounted for under the accruals model as permitted by FRS 102.

During the prior year the company benefitted from the Government Coronavirus Job Retention Scheme ('Furlough'). Furlough income has been recognised in "other income" in the same period as the related wage costs.

The company has not directly benefitted from any other forms of government assistance.

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2022

2. ACCOUNTING POLICIES - continued

Inventories

Inventories and work in progress are valued at the lower of cost and net realisable value after making due allowance for obsolete, slow-moving inventories and defective items.

Cost includes materials, direct labour, and an attributable proportion of manufacturing overheads based on normal levels of activity. Net realisable value is based on estimated selling price, less further costs expected to be incurred to completion and disposal.

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 statement of financial position date.

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the statement of financial position 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

Expenditure on research and development is written off in the year in which it is incurred.

Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the statement of financial position date.

Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

Operating leases

Assets obtained under hire purchase contracts or finance leases are capitalised in the statement of financial position. Those held under hire purchase contracts are depreciated over their estimated useful lives. Those held under finance leases are depreciated over their estimated useful lives or the lease term, whichever is the shorter.

The interest element of these obligations is charged to the income statement over the relevant period. The capital element of the future payments is treated as a liability.

Rentals paid under operating leases are charged to the income statement on a straight line basis over the period of the lease.

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2022

2. ACCOUNTING POLICIES - continued

Pension costs

The company operates a defined contribution pension scheme for all employees. The assets of the scheme are held separately from those of the company. The annual contributions payable are charged to the income statement.

Financial instruments

The company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable, loans from banks and other third parties and loans to related parties.

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

Basic financial liabilities are initially measured at transaction price and subsequently measured at amortised cost.

Provisions

Provisions are recognised when present obligations as a result of a past event will probably lead to an outflow of economic resources from the company and the amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events, for example, product warranties guaranteed, legal disputes or onerous contracts.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence at the year end, including risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole.

Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Although these estimates are based on management's best knowledge of the amount, events or actions, actual results ultimately may differ from those estimates.

The estimates are continually evaluated. Revisions to accounting estimates are recognised in the period in which the estimate is revised.

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are outlined below.

Estimating the useful economic life of an asset and the anticipated residual value are considered key judgement in calculating an appropriate depreciation charge.

In categorising leases as finance or operating leases, the directors make judgements as to whether significant risks and rewards of ownership have transferred to the company as lessee.

Making judgement based on historical experience on the level of provision required for impairment of stock and bad debts. Further information received after the statement of financial position date may impact on the level of provision required.

Making judgement based on historical experience on the level of provision required for warranties provided to customers.

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2022

3. REVENUE

The revenue and loss before taxation are attributable to the principal activities of the company.

An analysis of revenue by geographical market is given below:

	2022	2021
	£	£
United Kingdom	9,118,829	6,994,990
Rest of Europe	3,380,675	3,768,700
Rest of World	<u>13,708,482</u>	<u>6,831,716</u>
	<u><u>26,207,986</u></u>	<u><u>17,595,406</u></u>

4. EMPLOYEES AND DIRECTORS

	2022	2021
	£	£
Wages and salaries	5,675,141	4,343,359
Social security	535,634	444,302
Pension costs	<u>563,203</u>	<u>445,878</u>
	<u><u>6,773,978</u></u>	<u><u>5,233,539</u></u>

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

	2022	2021
Manufacturing	125	99
Administration and marketing	<u>45</u>	<u>38</u>
	<u><u>170</u></u>	<u><u>137</u></u>

5. DIRECTORS' EMOLUMENTS

	2022	2021
	£	£
Directors' remuneration	<u>379,260</u>	<u>402,603</u>

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

Money purchase schemes	<u>3</u>	<u>2</u>
------------------------	----------	----------

During the year, retirement benefits were accruing to 3 directors (2021: 2) in respect of defined contribution pension schemes of £13,920 (2021: £10,751).

The total amount payable to the highest paid director in respect of emoluments was £154,951 (2021: £402,603).

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2022

6. OPERATING LOSS

The operating loss is stated after charging:

	2022	2021
	£	£
Hire of plant and machinery	93,937	156,048
Depreciation - owned assets	1,904,901	1,806,292
Depreciation - assets on hire purchase contracts	1,291	-
Foreign exchange differences	104,562	61,859
Auditors remuneration	18,750	17,250
Auditors remuneration - tax compliance	<u>4,500</u>	<u>4,000</u>

7. INTEREST PAYABLE AND SIMILAR EXPENSES

	2022	2021
	£	£
Bank interest	644,674	384,016
Inter-company loan interest	170,805	329,042
Hire purchase	867	-
	<u>816,346</u>	<u>713,058</u>

8. TAXATION**Analysis of the tax credit**

The tax credit on the loss for the year was as follows:

	2022	2021
	£	£
Deferred tax	<u>(285,621)</u>	<u>(583,624)</u>
Tax on loss	<u>(285,621)</u>	<u>(583,624)</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2022

8. TAXATION - continued**Reconciliation of total tax credit 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:

	2022 £	2021 £
Loss before tax	<u>(1,480,056)</u>	<u>(4,387,982)</u>
Loss multiplied by the standard rate of corporation tax in the UK of 19% (2021 - 19%)	(281,211)	(833,717)
Effects of:		
Expenses not deductible for tax purposes	1,970	326
Capital allowances in excess of depreciation	(22,605)	-
Depreciation in excess of capital allowances	-	12,442
Tax losses carried forward	1,039,863	237,325
2021 RDEC credit taxed in 2021	(3,989)	-
Effects of change in tax rates	<u>(1,019,649)</u>	-
Total tax credit	<u>(285,621)</u>	<u>(583,624)</u>

Tax effects relating to effects of other comprehensive income

There were no tax effects for the year ended 31 December 2022.

	Gross £	2021 Tax £	Net £
Revaluation of property	<u>6,395,701</u>	<u>(1,215,183)</u>	<u>5,180,518</u>

The Finance Bill 2021 has set out measures to maintain the corporation tax rate for the financial year beginning 1 April 2022. For financial years beginning after 1 April 2023, the corporation tax rate will be increased to 25% for profits over £250,000. A small profits rate (SPR) will also be introduced for companies with profits of £50,000 or less so that they will continue to pay corporation tax at 19%. Companies with profits between £50,000 and £250,000 will pay tax at the main rate reduced by marginal relief. The directors are not aware of any other factors that will materially affect the future tax charge.

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2022

9. PROPERTY, PLANT AND EQUIPMENT

	Long leasehold £	Plant and machinery £	Totals £
COST			
At 1 January 2022	10,555,753	31,751,466	42,307,219
Additions	-	451,269	451,269
Disposals	-	(30,066)	(30,066)
At 31 December 2022	<u>10,555,753</u>	<u>32,172,669</u>	<u>42,728,422</u>
DEPRECIATION			
At 1 January 2022	4,042,064	24,604,300	28,646,364
Charge for year	12,689	1,893,503	1,906,192
At 31 December 2022	<u>4,054,753</u>	<u>26,497,803</u>	<u>30,552,556</u>
NET BOOK VALUE			
At 31 December 2022	<u>6,501,000</u>	<u>5,674,866</u>	<u>12,175,866</u>
At 31 December 2021	<u>6,513,689</u>	<u>7,147,166</u>	<u>13,660,855</u>

The land and buildings held by the company were revalued at £6,500,000 on 20 April 2021 by Lamb & Swift Commercial a well established firm of independent specialist property consultants. The directors believe the value to still be appropriate as at the year end.

Fixed assets, included in the above, which are held under hire purchase contracts are as follows:

	Plant and machinery £
COST	
Additions	<u>38,729</u>
At 31 December 2022	<u>38,729</u>
DEPRECIATION	
Charge for year	<u>1,291</u>
At 31 December 2022	<u>1,291</u>
NET BOOK VALUE	
At 31 December 2022	<u>37,438</u>

10. INVENTORIES

	2022 £	2021 £
Raw materials	3,419,284	2,912,859
Work-in-progress	882,042	721,580
Finished goods	<u>798,787</u>	<u>665,859</u>
	<u>5,100,113</u>	<u>4,300,298</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2022

11. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2022	2021
	£	£
Trade debtors	4,582,350	3,588,387
Amounts owed by group undertakings	7,604,155	7,369,107
Other debtors	90,080	173,160
Deferred tax asset	753,987	468,366
Prepayments and accrued income	668,735	302,867
	<u>13,699,307</u>	<u>11,901,887</u>

Deferred tax asset

	2022	2021
	£	£
Tax losses carried forward	2,352,912	1,683,549
Other timing differences	(1,598,925)	(1,215,183)
	<u>753,987</u>	<u>468,366</u>

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2022	2021
	£	£
Other loans (see note 14)	702,668	381,833
Hire purchase contracts (see note 15)	6,831	-
Trade creditors	3,846,667	4,080,327
Social security and other taxes	45,520	45,134
Other creditors	3,267,166	2,711,030
Accrued expenses	605,683	727,468
	<u>8,474,535</u>	<u>7,945,792</u>

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

	2022	2021
	£	£
Other loans (see note 14)	8,094,638	6,422,500
Hire purchase contracts (see note 15)	29,136	-
	<u>8,123,774</u>	<u>6,422,500</u>

14. LOANS

An analysis of the maturity of loans is given below:

	2022	2021
	£	£
Amounts falling due within one year or on demand:		
Other loans	<u>702,668</u>	<u>381,833</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2022

14.	LOANS - continued	2022	2021
		£	£
	Amounts falling due between one and two years:		
	Other loans - 1-2 years	<u>702,667</u>	<u>536,000</u>
	Amounts falling due between two and five years:		
	Other loans - 2-5 years	<u>1,583,833</u>	<u>1,608,000</u>
	Amounts falling due in more than five years:		
	Repayable by instalments		
	Other loans more 5yrs instal	<u>5,808,138</u>	<u>4,278,500</u>
15.	LEASING AGREEMENTS		
	Minimum lease payments fall due as follows:		
		Hire purchase contracts	
		2022	2021
		£	£
	Net obligations repayable:		
	Within one year	6,831	-
	Between one and five years	<u>29,136</u>	-
		<u>35,967</u>	<u>-</u>
		Non-cancellable	operating leases
		2022	2021
		£	£
	Within one year	18,532	77,035
	Between one and five years	<u>11,354</u>	<u>31,676</u>
		<u>29,886</u>	<u>108,711</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2022

16. SECURED DEBTS

The following secured debts are included within creditors:

	2022	2021
	£	£
Other loans	8,797,306	6,804,333
Hire purchase contracts	<u>35,967</u>	<u>-</u>
	<u>8,833,273</u>	<u>6,804,333</u>

There is a fixed and floating charge on the assets of the company by way of debenture in respect of borrowings from Shawbrook Bank Limited. There is also a fixed and floating charge over all land and intellectual property by way of a composite guarantee and debenture in respect of borrowings from a related party.

The hire purchase liability is secured against the related assets.

17. PROVISIONS FOR LIABILITIES

	2022	2021
	£	£
Other provisions		
Warranty provision	<u>185,555</u>	<u>168,500</u>
	Deferred tax	Other provisions
	£	£
Balance at 1 January 2022	(468,366)	168,500
(Credit)/charge to Income Statement during year	<u>(285,621)</u>	<u>17,055</u>
Balance at 31 December 2022	<u>(753,987)</u>	<u>185,555</u>

The above deferred tax asset of in respect of losses of £2,352,912 is expected to begin reversing after this reporting period based on current forecasted results prepared and approved by the directors. Unused tax losses carried forward at the statement of finance position date totalled £23,853,882 (2021: £23,594,130).

18. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:

			2022	2021
Number:	Class:	Nominal value:	£	£
16,371	Ordinary	4092.75p	<u>22,767,533</u>	<u>22,767,533</u>

On May 12th 2021 the long term loan note owed to previous group undertakings was converted to equity by way of a single share issued for the amount of £22,763,483. Following this recapitalisation Jost divested the Edbro business relinquishing all share capital to ENACT, a private equity fund managed by Endless LLP.

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2022

19. RESERVES

	Retained earnings £	Share premium £	Revaluation reserve £	Capital redemption reserve £	Totals £
At 1 January 2022	(15,163,864)	2,640,000	5,180,518	2,245,850	(5,097,496)
Deficit for the year	(1,194,435)	-	-	-	(1,194,435)
At 31 December 2022	<u>(16,358,299)</u>	<u>2,640,000</u>	<u>5,180,518</u>	<u>2,245,850</u>	<u>(6,291,931)</u>

20. CONTINGENT LIABILITIES

At 31 December 2022 the company had existing performance guarantees of £33,000 (2021: £33,000) and a guarantee of £nil (2021: £160,000) in respect of HMRC.

21. CAPITAL COMMITMENTS

	2022 £	2021 £
Contracted but not provided for in the financial statements	<u>-</u>	<u>21,684</u>

22. RELATED PARTY DISCLOSURES

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.

23. ULTIMATE CONTROLLING PARTY

At the year end the intermediate parent company was Edbro (Bidco) Ltd, a company registered in the United Kingdom. The ultimate parent company and controlling party was Enact, a private equity fund managed by Endless LLP. The registered office is 3 Whitehall Quay, Leeds LS1 4BF.

The parent of the smallest group in which these figures are consolidated is Edbro Holdings Limited, a company registered in the United Kingdom. The registered office is Edbro House, Nelson Street, Bolton, England, BL3 2JJ.

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