

FLOWLINE LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2022

FLOWLINE LIMITED

COMPANY INFORMATION

Directors	Miss J Healy Mr M Singh Mr T Bouzac Mr D Whitlock Mr K Fields
Registered number	02619447
Registered office	Rawreth Industrial Estate Rawreth Lane Rayleigh Essex SS6 9RL
Independent auditor	Scrutton Bland LLP Chartered Accountants & Statutory Auditor 820 The Crescent Colchester Business Park Colchester Essex CO4 9YQ
Bankers	Bank of Scotland Plc 35 Princes Street Ipswich Suffolk IP1 1AE

FLOWLINE LIMITED

CONTENTS

	Page
Group Strategic Report	1
Directors' Report	2 - 3
Independent Auditor's Report	4 - 8
Consolidated Statement of Comprehensive Income	9
Consolidated Balance Sheet	10
Company Balance Sheet	11
Consolidated Statement of Changes in Equity	12
Company Statement of Changes in Equity	13
Consolidated Statement of Cash Flows	14
Consolidated Analysis of Net Debt	15
Notes to the Financial Statements	16 - 35

FLOWLINE LIMITED

GROUP STRATEGIC REPORT FOR THE YEAR ENDED 31 JULY 2022

Introduction

The directors present their strategic report of the company and the group for the year ended 31 July 2022.

Business review

Flowline made a profit for the year of £85,300 (2021 - £620,626 loss) and had net liabilities at the year end of £5,449,157 (2021 net liabilities - £5,537,626).

The directors believe that adjusted EBITDA is the most suitable measure for the financial performance of the group. Adjusted EBITDA is defined as operating profit before depreciation, amortisation and exceptional items. Adjusted EBITDA increased to £1.670m in the year from £657k in 2021.

The business's underlying order book remains strong and is a testament to the established position of the Flowline brand in the market, and the enduring customer relationships that underpin the business's culture and success.

Principal risks and uncertainties

The risks of the business are managed by the Directors via a regular review of the group's risk registers. The business has invested in software to support the risk management procedures thereby maximising the benefits across the business.

Liquidity risk

The group manages its cash and borrowing requirements in order to maximise interest income and minimise interest expense, whilst ensuring the group has sufficient liquid resources to meet the operating needs of the business. Regular cashflow forecasts are prepared to monitor and forecast working capital.

Health and safety

The Directors consider health and safety to be an area of high importance given the business activities undertaken. The Directors provide leadership in the management of health and safety risk through regular health and safety management system reviews and site visits. A full time health and safety manager is employed to implement the health and safety processes and ensure compliance with legal requirements. The Company is accredited to the relevant independent standards (OHSAS 18001) and a live training programme is in place to ensure that all employees are trained to deliver their duties in a safe manner.

Financial key performance indicators

The Directors use a range of financial and non-financial key performance indicators, reported on both a weekly and monthly basis, to monitor the Company's performance over time. The range and depth of the KPI reporting has been significantly extended.

This report was approved by the board on 1 February 2023 and signed on its behalf.

Mr T Bouzac

Director

FLOWLINE LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 JULY 2022

The directors present their report and the financial statements for the year ended 31 July 2022.

Directors

The directors who served during the year were:

Miss J Healy
Mr M Singh
Mr T Bouzac
Mr D Whitlock
Mr K Fields

Directors' responsibilities statement

The directors are responsible for preparing the Group Strategic Report, the Directors' Report and the consolidated 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 the Group and of the profit or loss of the Group for that period.

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

- select suitable accounting policies for the Group'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 Group 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 the Group 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 the Group 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 £85,300 (2021 - loss £620,626).

Post balance sheet events

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

FLOWLINE LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 JULY 2022

Going concern

The company's significant shareholder the Business Growth Fund (BGF), which is also the provider of loan finance, has confirmed that its relationship remains supportive and that its intention is to continue this support for a period of at least twelve months from the signing of the financial statements, or to the date the company is sold if sooner.

The company has a net liability position of £5,449,157 at the year end, within the balance sheet are liabilities totalling £5,161,508 owed to BGF in relation to dividends, loans and interest accrued.

The Profit and Loss Account for the financial year includes accrued dividends and accrued interest to BGF.

Revenue has increased by 38% this financial year. The normal trading EBITDA (adjusted to add back certain one off costs) of the group has increased by 254% over the prior financial year, giving a total trading EBITDA (adjusted to add back certain one off costs) in this financial year of £1.670m (2021 - £0.6m).

In addition, detailed forecasts including cashflows have been prepared and reviewed by the Directors. Considering the detailed forecasts in addition to the support from BGF described above and the other required finance that is in place the Directors have concluded that the company will be able to continue trading for a period of at least twelve months from the date of signing the accounts and as such it is appropriate to prepare the accounts on the going concern basis. The Directors forecast a further increase in normal trading EBITDA in the coming financial year.

Disclosure of information to auditor

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 and the Group's auditor is 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 and the Group's auditor is aware of that information.

This report was approved by the board on 1 February 2023 and signed on its behalf.

Mr T Bouzac
Director

FLOWLINE LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FLOWLINE LIMITED

Opinion

We have audited the financial statements of Flowline Limited (the 'parent Company') and its subsidiaries (the 'Group') for the year ended 31 July 2022, which comprise the Group Statement of Comprehensive Income, the Group and Company Balance Sheets, the Group Statement of Cash Flows, the Group and Company 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 Group's and of the parent Company's affairs as at 31 July 2022 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group 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 Group's or the parent 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.

FLOWLINE LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FLOWLINE LIMITED (CONTINUED)

Other information

The other information comprises the information included in the Annual Report other than the financial statements and our Auditor's Report thereon. The directors are responsible for the other information contained within the Annual Report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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 Group 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 Group 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 Group and the parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Group 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 by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company 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.

FLOWLINE LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FLOWLINE LIMITED (CONTINUED)

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement set out on page 2, 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 Group's and the parent 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 Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

FLOWLINE LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FLOWLINE LIMITED (CONTINUED)

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditor's Report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Group 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 identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, through discussion with the directors (as required by auditing standards), inspection of the Company's regulatory and legal correspondence and discussed with the directors the policies and procedures regarding compliance with laws and regulations. We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit. The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: the Health & Safety at Work Act 1974, Environmental Protection Act - Waste Management Licence and Waste Carriers Licence, Restricted Operators Licence, Regulatory Reform - Fire Safety Order 2005, Reporting injuries, disease and dangerous occurrences regulations 2013, employment law and GDPR. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any.

Audit procedures undertaken in response to the potential risks relating to irregularities (which include fraud and non-compliance with laws and regulations) comprised of: enquiries of management and those charged with governance as to whether the company complies with such regulations, enquiries of management and those charged with governance concerning any actual or potential litigation or claims, inspection of any relevant legal documentation, review of board minutes, testing the appropriateness of journal entries and the performance of analytical review to identify any unexpected movements in account balances which may be indicative of fraud.

No instances of material non-compliance were identified.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

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

FLOWLINE LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FLOWLINE LIMITED (CONTINUED)

Auditor's 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 Auditor's Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Timothy O'Connor (Senior Statutory Auditor)

for and on behalf of

Scrutton Bland LLP

Chartered Accountants

Statutory Auditor

820 The Crescent

Colchester Business Park

Colchester

Essex

CO4 9YQ

1 February 2023

FLOWLINE LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 JULY 2022

		2022	As restated
	Note	£	2021
			£
Turnover	4	15,212,040	11,048,195
Cost of sales		(7,627,052)	(5,760,878)
Gross profit		7,584,988	5,287,317
Distribution costs		(3,854,697)	(2,989,926)
Administrative expenses		(3,311,795)	(2,485,970)
Other operating income	6	-	13,144
Operating profit/(loss)	5	418,496	(175,435)
Interest payable and similar expenses	10	(333,196)	(445,191)
Profit/(loss) before taxation		85,300	(620,626)
Profit/(loss) for the financial year		85,300	(620,626)
Profit/(loss) for the year attributable to:			
Owners of the parent Company		85,300	(620,626)
		<u>85,300</u>	<u>(620,626)</u>

There were no recognised gains and losses for 2022 or 2021 other than those included in the consolidated statement of comprehensive income.

There was no other comprehensive income for 2022 (2021:£NIL).

The notes on pages 16 to 35 form part of these financial statements.

FLOWLINE LIMITED

REGISTERED NUMBER:02619447

CONSOLIDATED BALANCE SHEET AS AT 31 JULY 2022

	Note	2022 £	As restated 2021 £
Fixed assets			
Tangible assets	12	1,420,528	1,674,849
		<u>1,420,528</u>	<u>1,674,849</u>
Current assets			
Stocks	14	33,286	26,845
Debtors: amounts falling due within one year	15	4,116,781	2,916,581
Cash at bank and in hand	16	116,394	152,826
		<u>4,266,461</u>	<u>3,096,252</u>
Creditors: amounts falling due within one year	17	(10,648,632)	(8,634,466)
		<u>(6,382,171)</u>	<u>(5,538,214)</u>
Net current liabilities		(6,382,171)	(5,538,214)
		<u>(4,961,643)</u>	<u>(3,863,365)</u>
Total assets less current liabilities		(4,961,643)	(3,863,365)
Creditors: amounts falling due after more than one year	18	(487,514)	(1,674,261)
		<u>(5,449,157)</u>	<u>(5,537,626)</u>
Net liabilities		(5,449,157)	(5,537,626)
Capital and reserves			
Called up share capital	21	31,096	27,927
Capital redemption reserve		8,073	8,073
Profit and loss account		(5,488,326)	(5,573,626)
		<u>(5,449,157)</u>	<u>(5,537,626)</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 1 February 2023.

Mr T Bouzac
Director

Miss J Healy
Director

The notes on pages 16 to 35 form part of these financial statements.

FLOWLINE LIMITED

REGISTERED NUMBER:02619447

**COMPANY BALANCE SHEET
AS AT 31 JULY 2022**

	Note	2022 £	As restated 2021 £
Fixed assets			
Tangible assets	12	1,420,528	1,539,788
Investments	13	520,969	520,969
		<u>1,941,497</u>	<u>2,060,757</u>
Current assets			
Stocks	14	33,286	17,882
Debtors: amounts falling due within one year	15	4,099,175	2,849,085
Cash at bank and in hand	16	115,131	150,868
		<u>4,247,592</u>	<u>3,017,835</u>
Creditors: amounts falling due within one year	17	(11,150,732)	(9,035,736)
		<u>(6,903,140)</u>	<u>(6,017,901)</u>
Net current liabilities		<u>(6,903,140)</u>	<u>(6,017,901)</u>
Total assets less current liabilities		<u>(4,961,643)</u>	<u>(3,957,144)</u>
Creditors: amounts falling due after more than one year	18	(487,514)	(1,580,482)
		<u>(5,449,157)</u>	<u>(5,537,626)</u>
Net liabilities		<u>(5,449,157)</u>	<u>(5,537,626)</u>
Capital and reserves			
Called up share capital	21	31,096	27,927
Capital redemption reserve		8,073	8,073
Profit and loss account brought forward		(5,573,626)	(4,953,000)
Profit/(loss) for the year		85,300	(620,626)
Profit and loss account carried forward		(5,488,326)	(5,573,626)
		<u>(5,449,157)</u>	<u>(5,537,626)</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 1 February 2023.

Mr T Bouzac
Director

Miss J Healy
Director

The notes on pages 16 to 35 form part of these financial statements.

FLOWLINE LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 JULY 2022

	Called up share capital	Share premium account	Capital redemption reserve	Profit and loss account	Equity attributable to owners of parent Company	Total equity
	£	£	£	£	£	£
At 1 August 2020 (as previously stated)	27,927	889,110	8,073	(4,717,628	(3,792,518	(3,792,518
)))
Prior year adjustment	-	(889,110	-	(235,372	(1,124,482	(1,124,482
))))
At 1 August 2020 (as restated)	<u>27,927</u>	<u>-</u>	<u>8,073</u>	<u>(4,953,000</u>	<u>(4,917,000</u>	<u>(4,917,000</u>
)))
Loss for the year	-	-	-	(620,626	(620,626	(620,626
)))
At 1 August 2021	27,927	-	8,073	(5,573,626	(5,537,626	(5,537,626
)))
Profit for the year	-	-	-	85,300	85,300	85,300
Total comprehensive income for the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>85,300</u>	<u>85,300</u>	<u>85,300</u>
Shares transferred during the year	3,169	-	-	-	3,169	3,169
At 31 July 2022	<u>31,096</u>	<u>-</u>	<u>8,073</u>	<u>(5,488,326</u>	<u>(5,449,157</u>	<u>(5,449,157</u>
)))

The notes on pages 16 to 35 form part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 JULY 2022

	Called up share capital £	Share premium account £	Capital redemption reserve £	Profit and loss account £	Total equity £
At 1 August 2020 (as previously stated)	27,927	889,110	8,073	(4,717,628)	(3,792,518)
Prior year adjustment	-	(889,110)	-	(235,372)	(1,124,482)
At 1 August 2020 (as restated)	27,927	-	8,073	(4,953,000)	(4,917,000)
Loss for the year	-	-	-	(620,626)	(620,626)
At 1 August 2021	27,927	-	8,073	(5,573,626)	(5,537,626)
Profit for the year	-	-	-	85,300	85,300
Contributions by and distributions to owners					
Shares transferred during the year	3,169	-	-	-	3,169
At 31 July 2022	<u>31,096</u>	<u>-</u>	<u>8,073</u>	<u>(5,488,326)</u>	<u>(5,449,157)</u>

The notes on pages 16 to 35 form part of these financial statements.

FLOWLINE LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 JULY 2022

	2022 £	As restated 2021 £
Cash flows from operating activities		
Profit/(loss) for the financial year	85,300	(620,626)
Depreciation of tangible assets	341,516	366,313
Loss on disposal of tangible assets	43,554	81,362
Interest paid	333,196	372,323
(Increase) in stocks	(6,441)	(9,025)
(Increase) in debtors	(1,200,200)	(118,423)
Increase in creditors	942,665	751,604
Net cash generated from operating activities	539,590	823,528
Cash flows from investing activities		
Purchase of tangible fixed assets	(136,849)	(558,230)
Sale of tangible fixed assets	6,100	163,327
HP interest paid	(76,491)	(57,620)
Net cash from investing activities	(207,240)	(452,523)
Cash flows from financing activities		
Issue of ordinary shares	3,169	-
Repayment of other loans	(11,116)	(933)
Repayment of/new finance leases	(223,506)	(72,189)
Movements on invoice discounting	119,376	(11,974)
Interest paid	(256,705)	(314,703)
Net cash used in financing activities	(368,782)	(399,799)
Net (decrease) in cash and cash equivalents	(36,432)	(28,794)
Cash and cash equivalents at beginning of year	152,826	181,620
Cash and cash equivalents at the end of year	116,394	152,826
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	116,394	152,826
	116,394	152,826

FLOWLINE LIMITED

CONSOLIDATED ANALYSIS OF NET DEBT FOR THE YEAR ENDED 31 JULY 2022

	At 1 August 2021 £	Cash flows £	Other non-cash changes £	At 31 July 2022 £
Cash at bank and in hand	152,826	(36,432)	-	116,394
Debt due after 1 year	(49,067)	11,116	10,000	(27,951)
Debt due within 1 year	(2,200,000)	-	(10,000)	(2,210,000)
Finance leases	(883,771)	223,506	-	(660,265)
Balance advanced on debtors	(1,286,737)	(119,376)	-	(1,406,113)
	<u>(4,266,749)</u>	<u>78,814</u>	<u>-</u>	<u>(4,187,935)</u>

The notes on pages 16 to 35 form part of these financial statements.

FLOWLINE LIMITED

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

1. General information

Flowline Limited is a private company limited by share capital incorporated in England and Wales, registered number 02619447.

Its registered office is Rawreth Industrial Estate, Rawreth Lane, Rayleigh, Essex SS6 9RL.

Its principal activity is that of drainage services.

The statutory accounting reference date is 29 July 2022 (2021 - 29 July 2021) but the financial statements have been prepared to 31 July 2022 (2021 - 31 July 2021) in order that the period covered by the financial statements is consistent with last year.

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 Group management to exercise judgment in applying the Group's accounting policies (see note 3).

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of Comprehensive Income in these financial statements.

The following principal accounting policies have been applied:

2.2 Basis of consolidation

The consolidated financial statements present the results of the Company and its own subsidiaries ("the Group") as if they form a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the Balance Sheet, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Consolidated Statement of Comprehensive Income from the date on which control is obtained. They are deconsolidated from the date control ceases.

FLOWLINE LIMITED

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

2. Accounting policies (continued)

2.3 Going concern

The company's significant shareholder the Business Growth Fund (BGF), which is also the provider of loan finance, has confirmed that its relationship remains supportive and that its intention is to continue this support for a period of at least twelve months from the signing of the financial statements, or to the date the company is sold if sooner.

The company has a net liability position of £5,449,157 at the year end, within the balance sheet are liabilities totalling £5,161,508 owed to BGF in relation to dividends, loans and interest accrued.

The Profit and Loss Account for the financial year includes accrued dividends and accrued interest to BGF.

Revenue has increased by 38% this financial year. The normal trading EBITDA (adjusted to add back certain one off costs) of the group has increased by 254% over the prior financial year, giving a total trading EBITDA (adjusted to add back certain one off costs) in this financial year of £1.670m (2021 - £0.6m).

In addition, detailed forecasts including cashflows have been prepared and reviewed by the Directors. Considering the detailed forecasts in addition to the support from BGF described above and the other required finance that is in place the Directors have concluded that the company will be able to continue trading for a period of at least twelve months from the date of signing the accounts and as such it is appropriate to prepare the accounts on the going concern basis. The Directors forecast a further increase in normal trading EBITDA in the coming financial year.

2.4 Turnover

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the Group 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:

Rendering of services

Turnover from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of turnover can be measured reliably;
- it is probable that the Group will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

FLOWLINE LIMITED

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

2. Accounting policies (continued)

2.5 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, on cost and reducing balance basis.

Depreciation is provided on the following basis:

Long-term leasehold property	- 2% to 25% on cost
Plant and machinery	- 15% to 33% on cost and reducing balance
Motor vehicles	- 20% to 50% on cost and reducing balance
Office equipment	- 25% on reducing balance

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

2.6 Impairment of fixed assets and goodwill

Assets that are subject to depreciation or amortisation are assessed at each balance sheet date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets that have been previously impaired are reviewed at each balance sheet date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

2.7 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.8 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 Consolidated Statement of Comprehensive Income in the same period as the related expenditure.

FLOWLINE LIMITED

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

2. Accounting policies (continued)

2.9 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 balance sheet 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.

2.10 Debtors

Short-term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.11 Amounts recoverable on contracts

Amounts recoverable on contracts are recorded at sales value estimated to be recovered and are measured at a percentage of the completion of the contracts concerned.

2.12 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Consolidated Statement of Cash Flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Group's cash management.

2.13 Financial instruments

The Group 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.

2.14 Share capital - A Ordinary Shares

The A Ordinary shareholders are entitled to receive a cumulative preferential dividend equal to the higher of the Minimum Fixed Return as defined in the Articles of Association and 10% of Net Profits prior to any distribution being made to the holders of the Ordinary shares. The preferential dividends are payable in respect of each financial year commencing from 1 August 2019.

The Articles of Association state that the cumulative preferential dividend will cease on the date an independent third party acquires all of the Equity shares. It is anticipated by the directors that this will occur by 31 August 2023. As a result, the A Ordinary shares have been accounted for as a liability and three years preferential dividends were accrued for in the year ended 31 July 2019. Previously, the directors had assessed that the sale would occur before the preferential shares became payable and as such the A Ordinary shares had been treated as equity.

FLOWLINE LIMITED

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

2. Accounting policies (continued)

2.15 Creditors

Short-term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.16 Finance costs

Finance costs are charged to profit or loss over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.17 Holiday pay accrual

A liability is recognised to the extent of any unused holiday pay entitlement which is accrued at the balance sheet date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the balance sheet date.

2.18 Operating leases: the Group as lessee

Rentals paid under operating leases are charged to profit or loss on a straight-line basis over the lease term.

2.19 Pensions

Defined contribution pension plan

The Group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. Once the contributions have been paid the Group 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 Balance Sheet. The assets of the plan are held separately from the Group in independently administered funds.

2.20 Borrowing costs

All borrowing costs are recognised in profit or loss in the year in which they are incurred.

FLOWLINE LIMITED

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

2. Accounting policies (continued)

2.21 Taxation

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 balance sheet date in the countries where the Company and the Group operate and generate income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet 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;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the Group can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

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 balance sheet date.

FLOWLINE LIMITED

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

2. Accounting policies (continued)

2.22 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.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Consolidated Statement of Comprehensive Income within 'finance income or costs'. All other foreign exchange gains and losses are presented in profit or loss within 'other operating income'.

On consolidation, the results of overseas operations are translated into Sterling at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations are translated at the rate ruling at the reporting date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised in other comprehensive income.

3. Judgments in applying accounting policies and key sources of estimation uncertainty

Preparation of the financial statements requires management to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and assumptions are based on experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

Amounts recoverable on contracts are valued based upon an estimate of the stage of completion as at the Balance Sheet date and applications made based upon those estimates. The carrying value of amounts recoverable on contracts in the Group financial statements at the Balance Sheet date was £1,833,219 (2021 - £1,380,356).

FLOWLINE LIMITED

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

4. Turnover

The whole of the turnover is attributable to the principal activity of the group.

All turnover arose within the United Kingdom.

5. Operating profit/(loss)

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

	2022	2021
	£	£
Depreciation	341,516	366,313
Exchange differences	10,256	-
Loss/(profit) on disposal of fixed assets	32,061	(81,364)
Operating lease costs	<u>2,121,762</u>	<u>1,614,998</u>

6. Other operating income

	2022	2021
	£	£
Other operating income	-	13,144
	<u>-</u>	<u>13,144</u>

7. Auditor's remuneration

	2022	2021
	£	£
Fees payable to the Group's auditor and its associates for the audit of the Group's annual financial statements	<u>39,730</u>	<u>28,620</u>

FLOWLINE LIMITED

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

8. Employees

Staff costs, including directors' remuneration, were as follows:

	Group 2022	Group 2021	Company 2022	Company 2021
	£	£	£	£
Wages and salaries	5,666,972	4,449,810	5,666,972	4,387,427
Social security costs	545,425	440,328	545,425	431,177
Cost of defined contribution scheme	134,164	128,434	134,164	126,275
	<u>6,346,561</u>	<u>5,018,572</u>	<u>6,346,561</u>	<u>4,944,879</u>

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

	Group 2022	Group 2021	Company 2022	Company 2021
	No.	No.	No.	No.
Operative	87	90	87	90
Office	19	21	19	21
Manager	13	2	13	2
Director	5	4	5	4
	<u>124</u>	<u>117</u>	<u>124</u>	<u>117</u>

9. Directors' remuneration

	2022	2021
	£	£
Directors' emoluments	312,002	237,975
Group contributions to defined contribution pension schemes	14,579	10,835
	<u>326,581</u>	<u>248,810</u>

During the year retirement benefits were accruing to 3 directors (2021 - 2) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £117,742 (2021 - £104,447).

The value of the Group's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £6,188 (2021 - £5,417).

FLOWLINE LIMITED

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

10. Interest payable and similar expenses

	2022 £	As restated 2021 £
Bank interest payable	102,637	58,547
Other loan interest payable	154,068	314,999
Finance leases and hire purchase contracts	76,491	71,645
	<u>333,196</u>	<u>445,191</u>

11. Taxation

	2022 £	2021 £
Total current tax	<u>-</u>	<u>-</u>
Deferred tax		
Total deferred tax	<u>-</u>	<u>-</u>
Taxation on profit on ordinary activities	<u>-</u>	<u>-</u>

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2021 - higher than) the standard rate of corporation tax in the UK of 19% (2021 - 19%). The differences are explained below:

	2022 £	As restated 2021 £
Profit/(loss) on ordinary activities before tax	<u>85,300</u>	<u>(620,626)</u>
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2021 - 19%)	16,207	(117,919)
Effects of:		
Other differences leading to an increase (decrease) in the tax charge	(16,207)	117,919
Total tax charge for the year	<u>-</u>	<u>-</u>

FLOWLINE LIMITED

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

12. Tangible fixed assets

Group

	Long-term leasehold property £	Plant and machinery £	Motor vehicles £	Office equipment £	Total £
Cost or valuation					
At 1 August 2021	142,500	2,773,708	701,740	150,750	3,768,698
Additions	-	82,895	29,171	24,783	136,849
Disposals	-	(29,304)	(125,193)	(2,037)	(156,534)
At 31 July 2022	142,500	2,827,299	605,718	173,496	3,749,013
Depreciation					
At 1 August 2021	88,375	1,671,261	236,061	98,152	2,093,849
Charge for the year on owned assets	1,500	204,207	119,778	16,031	341,516
Disposals	-	(12,063)	(92,949)	(1,868)	(106,880)
At 31 July 2022	89,875	1,863,405	262,890	112,315	2,328,485
Net book value					
At 31 July 2022	52,625	963,894	342,828	61,181	1,420,528
At 31 July 2021	54,125	1,102,447	465,679	52,598	1,674,849

FLOWLINE LIMITED

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

12. Tangible fixed assets (continued)

The net book value of assets held under finance leases or hire purchase contracts, included above, are as follows:

	2022 £	2021 £
Plant and machinery	424,184	525,465
Motor vehicles	240,000	375,871
	<u>664,184</u>	<u>901,336</u>

FLOWLINE LIMITED

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

12. Tangible fixed assets (continued)

Company

	Long-term leasehold property	Plant and machinery	Motor vehicles	Office equipment	Total
	£	£	£	£	£
Cost or valuation					
At 1 August 2021	142,500	2,290,563	701,740	150,750	3,285,553
Additions	-	151,063	41,671	25,433	218,167
Disposals	-	(29,304)	(125,193)	(2,037)	(156,534)
At 31 July 2022	142,500	2,412,322	618,218	174,146	3,347,186
Depreciation					
At 1 August 2021	88,375	1,323,177	236,061	98,152	1,745,765
Charge for the year on owned assets	1,500	150,464	119,778	16,031	287,773
Disposals	-	(12,063)	(92,949)	(1,868)	(106,880)
At 31 July 2022	89,875	1,461,578	262,890	112,315	1,926,658
Net book value					
At 31 July 2022	52,625	950,744	355,328	61,831	1,420,528
At 31 July 2021	54,125	967,386	465,679	52,598	1,539,788

FLOWLINE LIMITED

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

12. Tangible fixed assets (continued)

The net book value of assets held under finance leases or hire purchase contracts, included above, are as follows:

	2022	2021
	£	£
Plant and machinery	424,184	423,746
Motor vehicles	240,000	357,121
	<u>664,184</u>	<u>780,867</u>

13. Fixed asset investments

Company

	Investments in subsidiary companies £
Cost or valuation	
At 1 August 2021	520,969
At 31 July 2022	<u>520,969</u>

Subsidiary undertaking

The following was a subsidiary undertaking of the Company:

Name	Registered office	Class of shares	Holding
Clearaway Drainage Services Limited	Rawreth Industrial Estate, Rawreth Lane, Rayleigh, Essex, SS6 9RL.	Ordinary	100 %

FLOWLINE LIMITED

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

Subsidiary undertaking (continued)

The aggregate of the share capital and reserves as at 31 July 2022 and the profit or loss for the year ended on that date for the subsidiary undertaking was as follows:

Name	Aggregate of share capital and reserves
Clearaway Drainage Services Limited	520,969

During the previous year and continuing in the current year, many of the activities previously undertaken by the subsidiary company were taken on by Flowline Limited. This occurred as a result of the ongoing rationalisation of the group. As a result, the value of the investment in the subsidiary is written down to reflect the net asset position of the company.

It is anticipated that the activities of the subsidiary will be hived up to Flowline Limited before it becomes dormant by 31 July 2023.

14. Stocks

	Group 2022 £	Group 2021 £	Company 2022 £	Company 2021 £
Raw materials and consumables	33,286	25,445	33,286	17,882
Work in progress	-	1,400	-	-
	<u>33,286</u>	<u>26,845</u>	<u>33,286</u>	<u>17,882</u>

The difference between purchase price or production cost of stocks and their replacement cost is not material.

FLOWLINE LIMITED

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

15. Debtors

	Group 2022 £	Group 2021 £	Company 2022 £	Company 2021 £
Trade debtors	1,702,033	1,093,964	1,702,033	1,052,683
Other debtors	17,606	26,215	-	-
Prepayments and accrued income	563,923	416,046	563,923	416,046
Amounts recoverable on long-term contracts	1,833,219	1,380,356	1,833,219	1,380,356
	<u>4,116,781</u>	<u>2,916,581</u>	<u>4,099,175</u>	<u>2,849,085</u>

16. Cash and cash equivalents

	Group 2022 £	Group 2021 £	Company 2022 £	Company 2021 £
Cash at bank and in hand	116,394	152,826	115,131	150,868
	<u>116,394</u>	<u>152,826</u>	<u>115,131</u>	<u>150,868</u>

FLOWLINE LIMITED

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

17. Creditors: Amounts falling due within one year

	Group		Company	
	2022	Group	2022	Company
	£	2021	£	2021
		£		£
Bank loans	10,000	-	10,000	-
Other loans	2,200,000	2,200,000	2,200,000	2,200,000
Trade creditors	985,228	1,121,130	985,228	1,093,010
Amounts owed to group undertakings	-	-	502,100	564,073
Amounts owed to other participating interests	1,050,909	-	1,050,909	-
Other taxation and social security	2,374,299	1,485,765	2,374,299	1,423,171
Obligations under finance lease and hire purchase contracts	200,702	213,949	200,702	169,660
Balance advanced on debtors	1,406,113	1,286,737	1,406,113	1,286,737
Other creditors	1,164,970	1,152,692	1,164,970	1,151,810
Accruals and deferred income	1,256,411	1,174,193	1,256,411	1,147,275
	<u>10,648,632</u>	<u>8,634,466</u>	<u>11,150,732</u>	<u>9,035,736</u>

The balance advanced on debtors is secured against the book debts of the company.

The balance of obligations under finance lease and hire purchase contracts shown as due within and due after one year is secured against the assets concerned.

The other loans shown as due within and due after one year are secured by way of a fixed and floating charge over the assets of the company.

The bank loans are repayable over 60 months at an interest rate of 2.5%.

18. Creditors: Amounts falling due after more than one year

	Group		Company	
	2022	Group	2022	Company
	£	As restated	£	As restated
		2021		2021
		£		£
Bank loans	27,951	49,067	27,951	49,067
Net obligations under finance leases and hire purchase contracts	459,563	669,822	459,563	576,043
Amounts owed to other participating interests	-	955,372	-	955,372
	<u>487,514</u>	<u>1,674,261</u>	<u>487,514</u>	<u>1,580,482</u>

FLOWLINE LIMITED

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

19. Loans

	Group 2022	Group 2021	Company 2022	Company 2021
	£	£	£	£
Amounts falling due within one year				
Bank loans	10,000	-	10,000	-
Other loans	2,200,000	2,200,000	2,200,000	2,200,000
	<u>2,210,000</u>	<u>2,200,000</u>	<u>2,210,000</u>	<u>2,200,000</u>
Amounts falling due 1-2 years				
Other loans	27,951	49,067	27,951	49,067
	<u>27,951</u>	<u>49,067</u>	<u>27,951</u>	<u>49,067</u>
	<u>2,237,951</u>	<u>2,249,067</u>	<u>2,237,951</u>	<u>2,249,067</u>

20. Hire purchase and finance leases

Minimum lease payments under hire purchase fall due as follows:

	Group 2022	Group 2021	Company 2022	Company 2021
	£	£	£	£
Within one year	200,702	213,949	200,702	169,660
Between 1-5 years	459,563	669,822	459,563	576,043
	<u>660,265</u>	<u>883,771</u>	<u>660,265</u>	<u>745,703</u>

21. Share capital

	2022	2021
	£	£
Allotted, called up and fully paid		
25,604 (2021 - 22,435) Ordinary B shares of £1.00 each	25,604	22,435
5,492 (2021 - 5,492) Ordinary shares of £1.00 each	5,492	5,492
	<u>31,096</u>	<u>27,927</u>

FLOWLINE LIMITED

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

21. Share capital (continued)

The Ordinary shares carry voting rights and have the right to dividends.

There are 15,448 (2021 - 18,617) A Ordinary shares in issue at the year end. The shareholders are entitled to receive a cumulative preferential dividend equal to the higher of the Minimum Fixed Return as defined in the Articles of Association and 10% of Net Profits prior to any distribution being made to the holders of the Ordinary shares. The preferential dividends are payable in respect of each financial year commencing from 1 August 2019.

The Articles of Association state that the cumulative preferential dividend will cease on the date an independent third party acquires all of the Equity shares. It is anticipated by the directors that this will occur by 31 July 2023. As a result, the A Ordinary shares have been accounted for as a liability and four years preferential dividends have been accrued.

The B Ordinary shares carry no voting rights. The economic rights of the B Ordinary shares are the same as the Ordinary shares.

22. Prior year adjustment

Opening amounts owed to participating interests have been adjusted by £205,210 and prior year amounts owed to participating interests have been adjusted by £294,215 to reflect the correct dividend amounts owed at the relevant discount rates. The prior year movement in the dividend accrual has been adjusted by £58,843 which has been included in interested charged. The share premium of £889,110 has been reclassified as debt to ensure consistent treatment.

23. Contingent liabilities

The A Ordinary shares carry a right to a cumulative preferential dividend of a minimum of £289,000 per annum for each financial year commencing from 1 August 2019. Such dividends will cease on the date an independent third party acquires all of the equity shares. It is anticipated by the directors that this sale will occur by 31 July 2023. As a result, the A Ordinary shares have been accounted for as a liability on the basis that four years of preferential dividends will be payable.

The repayment terms for the loan notes were breached and new repayment dates have been negotiated. The loan financiers, who are also shareholders, have not invoked any of the default penalties or demanded payment of any redemption payments due.

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 £134,164 (2021 - £126,275). Contributions totaling £29,958 (2021 - £20,388) were payable to the fund at the balance sheet date and are included in creditors.

FLOWLINE LIMITED

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

25. Commitments under operating leases

At 31 July 2022 the Group and the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	Group 2022 £	Group 2021 £	Company 2022 £	Company 2021 £
Not later than 1 year	1,791,980	1,751,333	1,791,980	1,745,674
Later than 1 year and not later than 5 years	4,705,036	5,282,987	4,705,036	5,280,629
Later than 5 years	-	38,836	-	38,836
	<u>6,497,016</u>	<u>7,073,156</u>	<u>6,497,016</u>	<u>7,065,139</u>

26. Related party transactions

The company has taken advantage of the exemption contained in FRS 102 Section 33.1A and has not disclosed transactions with UK members of the group, as all UK subsidiaries are wholly owned.

At the year end the company owed BGF Investments LP £2,200,000 in loan notes (2021: £2,200,000). Of these loans £2,200,000 was repayable within one year and redemption premiums of 50% are payable each time a capital repayment is made. A further £890,000 (2021: £890,000) is owed to BGF Investments LP for equity classified as a debt instrument. Discounted dividends accruing to BGF Investments LP at the year totalled £1,050,909 (2021: £955,372).

During the year fees were paid to BGF Investments LP amounting to £56,370 (2021: £44,926), and interest accrued is payable of £1,021,489 (2021: £959,923).

BGF have confirmed that its relationship remains supportive and that its intention is to continue this support for a period of at least twelve months from the signing of the financial statements, or to the date the company is sold if sooner.

Remuneration paid to the key management personnel of the company was £599,141 (2021: £467,928).

27. Controlling party

The ultimate controlling party is BGF Investments LP as they exercise control through their shareholding and the provision of loan finance to the business.

This document was delivered using electronic communications and authenticated in accordance with the registrar's rules relating to electronic form, authentication and manner of delivery under section 1072 of the Companies Act 2006.