

REGISTERED NUMBER: 00283933 (England and Wales)

EDBRO HYDRAULICS LIMITED
STRATEGIC REPORT, REPORT OF THE DIRECTORS AND
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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FOR THE YEAR ENDED 31 DECEMBER 2021**

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EDBRO HYDRAULICS LIMITED
COMPANY INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2021

DIRECTORS: N Geldard Williams
I Bragg

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 2021**

The directors present their strategic report for the year ended 31 December 2021.

Up to 12th May 2021 Edbro Hydraulics Limited was owned by Jost Werke AG and operated as in the prior year. On 12 May 2021 the long-term loan note owed to JOST group undertakings was converted to equity by way of a single share issued for the amount of £22,763,483, resulting in a much-improved financial statement position. In addition, during 2021 the company has undertaken a revaluation of leasehold land and buildings, indicating an increased valuation of £6,513,689.

Following this recapitalisation Jost divested the Edbro business relinquishing all share capital. The company was acquired on 12 May 2021, by Enact, a private equity fund managed by Endless LLP.

Jost will continue to support the Edbro brand and will act as a distributor to many international markets.

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 2021 revenue was up 21.9% on that achieved in 2020 on the continuing activity. The discontinued activity in 2020 related to trade transferred to JOST at the end of that year. The Road cylinder business saw a faster than expected recovery from Covid 19 during 2021, especially in the 2nd half of the year. As a result of this increase and to meet demand from September onwards the business started to recruit and re-introduce a 2nd shift in the Road business. Whilst not at the same speed as the Road business, the early signs of recovery and increased demand were also seen in the Off-Road Business.

As the major investment programme was completed in 2020, the investment during 2021 was only on essential items, with the focus moving towards "Business Performance Improvement Projects" and these were focused around the following areas:

- Sustained Increased Deliveries
- Forecasting and Planning
- Cost Reduction
- Margin Control and Improvement
- Governance, Risk and Compliance Framework
- Working Capital

Looking forward to 2022 the business sees the strong recovery in both Road and Off Road continuing and the budget for the year sees sales at £26m against the £17.6m of 2021. Under the new ownership of the business, the plan is one of continued growth in the current markets, whilst also looking at alternative products and adjacent markets.

The directors consider the company's Key Performance Indicators (KPI's) to be safety, quality, on time delivery, sales growth, productivity, gross profit, EBITDA, cash flow, stock turnover, debtor days and creditor days. While investment into machinery has been a key part of improving the company's performance, the 2020 restructuring and employee buy in is resulting in improved company performance.

Attention and investments have continued to be directed towards health & safety measures. Furthermore, training of employees continues to ensure that business has the right skills set for the business going forward. Aside from performance KPI's such as productivity and cylinder output per head, the company permanently measures other KPI's such as attendance, training, LTA, hazards and near misses.

To achieve a high degree of employee engagement the company regularly informs its employees about all relevant developments and matters of concern as well as advising them as to the progress of improvement programmes and performance of the business.

**STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2021**

There are monthly staff briefings to all employees on the shop floor where the Managing Director and the management team present information relating to latest health & safety, financials, KPI's, projects and other important matters, though these were temporarily cancelled due to COVID-19 controls. In addition, all relevant information is communicated through the standard channels such as information boards and email distribution.

Employee representatives are permanently involved, and regular meetings are held to support open, two-way communication. All employee relevant matters are discussed and feedback from employees is collected to further build up engagement.

Employees participate in either a monthly or an annual performance related bonus plan. The monthly plan is focused on immediate production levels. The annual plan for Directors, Department Managers and Sales personnel has a longer-term focus and includes personal objectives.

An appraisal system is in place which focuses both on performance management and individual development. The company considers employment applications from all, including disabled people, having regard to their aptitudes and abilities - Edbro Hydraulics Limited 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. Wherever possible we will invite existing employees to apply for promotion opportunities.

All staff involved with recruitment must ensure that they comply fully at all times with the Company's Equal Opportunities Policy. The Company prides itself in being a fair and non-discriminatory employer. At all stages of the recruitment process, attempts will be made to accommodate the particular needs of any person suffering from a disability (within the meaning of the Disability Discrimination Act 1995 and Equality and Diversity Act 2010). This is stated in our recruitment policy.

The Company has prepared and posted on its website a statement on the UK Anti Modern Slavery Act.

ON BEHALF OF THE BOARD:

N Geldard Williams - Director

12 April 2022

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2021**

The directors present their report with the financial statements of the company for the year ended 31 December 2021.

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 2021.

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.

EVENTS SINCE THE END OF THE YEAR

Information relating to events since the end of the year is given in the notes to the financial statements.

DIRECTORS

N Geldard Williams has held office during the whole of the period from 1 January 2021 to the date of this report.

Other changes in directors holding office are as follows:

J K W Duerr - resigned 12 May 2021

F M Uhlmann - resigned 12 May 2021

I Bragg - appointed 3 December 2021

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 2021**

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:

N Geldard Williams - Director

12 April 2022

**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 2021 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 2021 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 director 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.

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

22 April 2022

**INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2021**

	Notes	2021 Continuing £	2021 Discontinued £	2021 Total £
REVENUE	3	17,595,406	-	17,595,406
Cost of sales		(12,031,225)	-	(12,031,225)
GROSS PROFIT		5,564,181	-	5,564,181
Administrative expenses		(9,809,597)	-	(9,809,597)
		(4,245,416)	-	(4,245,416)
Other operating income		569,251	-	569,251
OPERATING LOSS	6	(3,676,165)	-	(3,676,165)
Interest receivable and similar income		1,241	-	1,241
Amounts written off investments		-	-	-
Interest payable and similar expenses	7	(713,058)	-	(713,058)
LOSS BEFORE TAXATION		(4,387,982)	-	(4,387,982)
Tax on loss	8	583,624	-	583,624
LOSS FOR THE FINANCIAL YEAR		(3,804,358)	-	(3,804,358)

The notes form part of these financial statements

EDBRO HYDRAULICS LIMITED (REGISTERED NUMBER: 00283933)

**INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2021**

	Notes	2020 Continuing £	2020 Discontinued £	2020 Total £
REVENUE	3	14,430,945	8,662,191	23,093,136
Cost of sales		(10,547,003)	(6,666,694)	(17,213,697)
GROSS PROFIT		3,883,942	1,995,497	5,879,439
Administrative expenses		(9,651,046)	(1,812,642)	(11,463,688)
		(5,767,104)	182,855	(5,584,249)
Other operating income		1,254,334	-	1,254,334
OPERATING (LOSS)/PROFIT	6	(4,512,770)	182,855	(4,329,915)
Interest receivable and similar income		3,796	-	3,796
Amounts written off investments		-	-	-
Interest payable and similar expenses	7	(1,053,519)	-	(1,053,519)
(LOSS)/PROFIT BEFORE TAXATION		(5,562,493)	182,855	(5,379,638)
Tax on (loss)/profit	8	-	-	-
(LOSS)/PROFIT FOR THE FINANCIAL YEAR		(5,562,493)	182,855	(5,379,638)

The notes form part of these financial statements

**OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021**

	Notes	2021 £	2020 £
LOSS FOR THE YEAR		(3,804,358)	(5,379,638)
OTHER COMPREHENSIVE INCOME			
Revaluation of property		6,395,701	-
Income tax relating to other comprehensive income		<u>(1,215,183)</u>	<u>-</u>
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF INCOME TAX		<u>5,180,518</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		<u>1,376,160</u>	<u>(5,379,638)</u>

The notes form part of these financial statements

STATEMENT OF FINANCIAL POSITION
31 DECEMBER 2021

	Notes	2021 £	2020 £
FIXED ASSETS			
Intangible assets	9	-	-
Property, plant and equipment	10	<u>13,660,855</u>	<u>8,308,471</u>
		<u>13,660,855</u>	<u>8,308,471</u>
CURRENT ASSETS			
Inventories	11	4,300,298	2,948,844
Debtors	12	11,901,887	6,177,723
Cash at bank		<u>2,343,789</u>	<u>2,297,163</u>
		<u>18,545,974</u>	<u>11,423,730</u>
CREDITORS			
Amounts falling due within one year	13	<u>(7,945,792)</u>	<u>(26,081,807)</u>
NET CURRENT ASSETS/(LIABILITIES)		<u>10,600,182</u>	<u>(14,658,077)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		24,261,037	(6,349,606)
CREDITORS			
Amounts falling due after more than one year	14	(6,422,500)	-
PROVISIONS FOR LIABILITIES	18	<u>(168,500)</u>	<u>(120,000)</u>
NET ASSETS/(LIABILITIES)		<u>17,670,037</u>	<u>(6,469,606)</u>
CAPITAL AND RESERVES			
Called up share capital	19	22,767,533	4,050
Share premium	20	2,640,000	2,640,000
Revaluation reserve	20	5,180,518	-
Capital redemption reserve	20	2,245,850	2,245,850
Retained earnings	20	<u>(15,163,864)</u>	<u>(11,359,506)</u>
SHAREHOLDERS' FUNDS		<u>17,670,037</u>	<u>(6,469,606)</u>

The financial statements were approved by the Board of Directors and authorised for issue on 12 April 2022 and were signed on its behalf by:

N Geldard Williams - Director

The notes form part of these financial statements

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021

	Called up share capital £	Retained earnings £	Share premium £
Balance at 1 January 2020	4,050	(5,979,868)	2,640,000
Changes in equity			
Total comprehensive loss	-	(5,379,638)	-
Balance at 31 December 2020	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	22,767,533	(15,163,864)	2,640,000
	Revaluation reserve £	Capital redemption reserve £	Total equity £
Balance at 1 January 2020	-	2,245,850	(1,089,968)
Changes in equity			
Total comprehensive loss	-	-	(5,379,638)
Balance at 31 December 2020	-	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	5,180,518	2,245,850	17,670,037

The notes form part of these financial statements

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021**

	Notes	2021 £	2020 £
Cash flows from operating activities			
Cash generated from operations	1	(20,725,176)	(392,132)
Net cash from operating activities		<u>(20,725,176)</u>	<u>(392,132)</u>
Cash flows from investing activities			
Purchase of property plant and equipment		(762,975)	(501,018)
Sale of property, plant and equipment		-	38,682
Interest received		1,241	3,796
Net cash from investing activities		<u>(761,734)</u>	<u>(458,540)</u>
Cash flows from financing activities			
New loans in year		7,000,000	-
Loan repayments in year		(195,666)	-
Interest paid		(713,058)	(1,053,519)
Share issue		22,763,483	-
Loans to group undertakings		(7,369,107)	-
Government grants received		47,884	1,025,070
Net cash from financing activities		<u>21,533,536</u>	<u>(28,449)</u>
Increase/(decrease) in cash and cash equivalents		46,626	(879,121)
Cash and cash equivalents at beginning of year	2	2,297,163	3,176,284
Cash and cash equivalents at end of year	2	<u>2,343,789</u>	<u>2,297,163</u>

The notes form part of these financial statements

**NOTES TO THE STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021**

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

	2021	2020
	£	£
Loss before taxation	(4,387,982)	(5,379,638)
Depreciation charges	1,806,292	1,713,999
Profit on disposal of fixed assets	-	(6,878)
Government grants	(47,884)	(1,025,070)
Finance costs	713,058	1,053,519
Finance income	(1,241)	(3,796)
	(1,917,757)	(3,647,864)
(Increase)/decrease in inventories	(1,351,454)	3,549,549
Decrease in trade and other debtors	1,013,384	807,014
Decrease in trade and other creditors	(18,469,349)	(1,100,831)
Cash generated from operations	(20,725,176)	(392,132)

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 2021

	31.12.21	1.1.21
	£	£
Cash and cash equivalents	2,343,789	2,297,163

Year ended 31 December 2020

	31.12.20	1.1.20
	£	£
Cash and cash equivalents	2,297,163	3,176,284

3. ANALYSIS OF CHANGES IN NET FUNDS/(DEBT)

	At 1.1.21	Cash flow	At 31.12.21
	£	£	£
Net cash			
Cash at bank	2,297,163	46,626	2,343,789
	2,297,163	46,626	2,343,789
Debt			
Debts falling due within 1 year	-	(381,833)	(381,833)
Debts falling due after 1 year	-	(6,422,500)	(6,422,500)
	-	(6,804,333)	(6,804,333)
Total	2,297,163	(6,757,707)	(4,460,544)

The notes form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

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 as modified by the revaluation of certain assets.

The directors have considered the impact of the global Covid-19 pandemic on the company and recognise that the future cannot be predicted with certainty. However, the directors expect the company to continue trading as all staff are able to work in a safe environment, including remotely, and the principal activity of the company can continue. The directors will make use of any government financial assistance available during this period.

Therefore the directors continue to adopt the going concern basis in preparing the financial statements.

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.

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 year the group has 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 group has not directly benefitted from any other forms of government assistance.

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.

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2021

2. **ACCOUNTING POLICIES - continued**

Taxation

Taxation for the year comprises current and deferred tax. Tax is recognised in the Income Statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Current or deferred taxation assets and liabilities are not discounted.

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

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

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.

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2021

2. ACCOUNTING POLICIES - continued**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.

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:

	2021	2020
	£	£
United Kingdom	6,994,990	13,492,940
Rest of Europe	3,768,700	3,538,965
Rest of World	6,831,716	6,061,231
	<u>17,595,406</u>	<u>23,093,136</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2021

4. EMPLOYEES AND DIRECTORS

	2021	2020
	£	£
Wages and salaries	4,343,359	5,787,000
Social security	444,302	551,000
Pension costs	445,878	774,000
	<u>5,233,539</u>	<u>7,112,000</u>

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

	2021	2020
Manufacturing	99	131
Administration and marketing	38	69
	<u>137</u>	<u>200</u>

5. DIRECTORS' EMOLUMENTS

	2021	2020
	£	£
Directors' remuneration	<u>402,603</u>	<u>241,000</u>

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

Money purchase schemes	<u>2</u>	<u>1</u>
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During the year, retirement benefits were accruing to 2 director (2020: 1) in respect of defined contribution pension schemes of £10,751 (2020: £8,308).

The total amount payable to the highest paid director in respect of emoluments was £370,632 (2020: £241,000).

6. OPERATING LOSS

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

	2021	2020
	£	£
Hire of plant and machinery	156,048	-
Depreciation - owned assets	1,806,292	1,713,998
Profit on disposal of fixed assets	-	(6,878)
Foreign exchange differences	61,859	1,151,559
Auditors remuneration	17,250	24,000
Auditors remuneration - tax compliance	<u>4,000</u>	<u>4,000</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2021

7. INTEREST PAYABLE AND SIMILAR EXPENSES

	2021	2020
	£	£
Bank interest	384,016	-
Inter-company loan interest	329,042	1,053,519
	<u>713,058</u>	<u>1,053,519</u>

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

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

	2021	2020
	£	£
Deferred tax	(583,624)	-
Tax on loss	<u>(583,624)</u>	<u>-</u>

Reconciliation of total tax credit included in profit and loss

The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The difference is explained below:

	2021	2020
	£	£
Loss before tax	<u>(4,387,982)</u>	<u>(5,379,638)</u>
Loss multiplied by the standard rate of corporation tax in the UK of 19% (2020 - 19%)	(833,717)	(1,022,131)
Effects of:		
Expenses not deductible for tax purposes	326	9,499
Capital allowances in excess of depreciation	-	(23,240)
Depreciation in excess of capital allowances	12,442	-
Tax losses carried forward	237,325	1,002,235
Short term timing adjustments	-	33,637
Total tax credit	<u>(583,624)</u>	<u>-</u>

Tax effects relating to effects of other comprehensive income

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

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2021

9. INTANGIBLE FIXED ASSETS

	Goodwill £
COST	
At 1 January 2021	(747,000)
Disposals	<u>747,000</u>
At 31 December 2021	-
AMORTISATION	
At 1 January 2021	(747,000)
Eliminated on disposal	<u>747,000</u>
At 31 December 2021	-
NET BOOK VALUE	
At 31 December 2021	<u>-</u>
At 31 December 2020	<u>-</u>

10. PROPERTY, PLANT AND EQUIPMENT

	Long leasehold £	Plant and machinery £	Totals £
COST OR VALUATION			
At 1 January 2021	4,160,052	30,988,491	35,148,543
Additions	-	762,975	762,975
Revaluations	6,395,701	-	6,395,701
At 31 December 2021	<u>10,555,753</u>	<u>31,751,466</u>	<u>42,307,219</u>
DEPRECIATION			
At 1 January 2021	4,042,064	22,798,008	26,840,072
Charge for year	-	1,806,292	1,806,292
At 31 December 2021	<u>4,042,064</u>	<u>24,604,300</u>	<u>28,646,364</u>
NET BOOK VALUE			
At 31 December 2021	<u>6,513,689</u>	<u>7,147,166</u>	<u>13,660,855</u>
At 31 December 2020	<u>117,988</u>	<u>8,190,483</u>	<u>8,308,471</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.

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2021

11. INVENTORIES	2021	2020
	£	£
Raw materials	2,912,859	1,658,999
Work-in-progress	721,580	460,485
Finished goods	665,859	829,360
	<u>4,300,298</u>	<u>2,948,844</u>
12. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	2021	2020
	£	£
Trade debtors	3,588,387	4,727,212
Amounts owed by group undertakings	7,369,107	-
Other debtors	173,160	-
Deferred tax asset	468,366	1,099,925
Prepayments and accrued income	302,867	350,586
	<u>11,901,887</u>	<u>6,177,723</u>
Deferred tax asset	2021	2020
	£	£
Tax losses carried forward	1,683,549	1,099,925
Other timing differences	(1,215,183)	-
	<u>468,366</u>	<u>1,099,925</u>
13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	2021	2020
	£	£
Other loans (see note 15)	381,833	-
Trade creditors	4,080,327	2,280,580
Amounts owed to group undertakings	-	22,434,442
Social security and other taxes	45,134	57,656
VAT	-	373,488
Other creditors	2,711,030	-
Accrued expenses	727,468	935,641
	<u>7,945,792</u>	<u>26,081,807</u>
14. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	2021	2020
	£	£
Other loans (see note 15)	<u>6,422,500</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2021

15. LOANS

An analysis of the maturity of loans is given below:

	2021 £	2020 £
Amounts falling due within one year or on demand:		
Other loans	<u>381,833</u>	<u>-</u>
Amounts falling due between one and two years:		
Other loans - 1-2 years	<u>536,000</u>	<u>-</u>
Amounts falling due between two and five years:		
Other loans - 2-5 years	<u>1,608,000</u>	<u>-</u>
Amounts falling due in more than five years:		
Repayable by instalments		
Other loans more 5yrs instal	<u>4,278,500</u>	<u>-</u>

16. LEASING AGREEMENTS

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

	2021 £	2020 £
Within one year	77,035	366,000
Between one and five years	<u>31,676</u>	<u>367,000</u>
	<u>108,711</u>	<u>733,000</u>

17. SECURED DEBTS

The following secured debts are included within creditors:

	2021 £	2020 £
Other loans	<u>6,804,333</u>	<u>-</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.

18. PROVISIONS FOR LIABILITIES

	2021 £	2020 £
Other provisions		
Warranty provision	<u>168,500</u>	<u>120,000</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2021

18. PROVISIONS FOR LIABILITIES - continued

	Deferred tax £	Other provisions £
Balance at 1 January 2021	(1,099,925)	189,000
Credit to Income Statement during year	(583,624)	-
Amounts on assets revalued	<u>1,215,183</u>	-
Balance at 31 December 2021	<u>(468,366)</u>	<u>189,000</u>

The above deferred tax asset of in respect of losses of £1,683,548 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 £23,594,130 (2020: £19,194,477).

19. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	2021 £	2020 £
16,371	Ordinary	4092.75p	<u>22,767,533</u>	<u>4,050</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.

20. RESERVES

	Retained earnings £	Share premium £	Revaluation reserve £	Capital redemption reserve £	Totals £
At 1 January 2021	(11,359,506)	2,640,000	-	2,245,850	(6,473,656)
Deficit for the year	(3,804,358)	-	-	-	(3,804,358)
revaluation reserve	-	-	5,180,518	-	5,180,518
At 31 December 2021	<u>(15,163,864)</u>	<u>2,640,000</u>	<u>5,180,518</u>	<u>2,245,850</u>	<u>(5,097,496)</u>

21. CONTINGENT LIABILITIES

At 31 December 2021 the company had existing performance guarantees of £33,000 (2020: £33,000) and a guarantee of £160,000 (2020: £160,000) in respect of HMRC.

22. CAPITAL COMMITMENTS

	2021 £	2020 £
Contracted but not provided for in the financial statements	<u>21,684</u>	<u>28,236</u>

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2021**

23. 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.

24. POST BALANCE SHEET EVENTS

Following the year end Enact introduced another £1.5m loan into the company along with a further £1.0m from Shawbrook Bank to support the growth in the business.

25. 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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