

Company registration number 03275681 (England and Wales)

METALLINK FLUID POWER SYSTEMS LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

METALLINK FLUID POWER SYSTEMS LIMITED

COMPANY INFORMATION

| | |
|--------------------------|---|
| Directors | Mrs A Bianconcini Mr P Borghi |
| Secretary | Mr A Hook |
| Company number | 03275681 |
| Registered office | Unit BT 35/2 Prospect Road Beechburn Industrial Estate Crook DL15 8JL |
| Auditor | Allen Sykes Limited 5 Henson Close South Church Enterprise Park Bishop Auckland Co Durham DL14 6WA |

METALLINK FLUID POWER SYSTEMS LIMITED

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METALLINK FLUID POWER SYSTEMS LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2023

The directors present the strategic report for the year ended 31 December 2023. The principal activity of the company is the manufacture of manipulated, formed and fabricated steel products used in construction and industrial equipment.

Business Review and Key Performance Indicators

We aim to present a balanced and comprehensive review of the development and performance of our business during the year and its position at the year end. Our review is consistent with the size and non-complex nature of our business and is written in context of the risks and uncertainties we face.

We consider our key financial performance indicators are those that communicate the financial performance and strength of the company as a whole, those being turnover, gross margin and balance sheet strength as defined by the total shareholders' funds.

All turnover relates to the same trade, predominantly the manufacture of manipulated steel products for construction vehicles. Turnover decreased during the year by approximately 24.5% due to turnover reducing to normal levels following a period of unprecedented demand in the previous year.

Both gross margin and administrative expenses remained relatively consistent.

Net profit before taxation was £1,621,449. The resultant profit after tax for the year being £1,509,974 (2022 - £2,576,839) which increased shareholders' funds to £8,328,602 (2022 - £8,107,048), after dividends demonstrating the company's continued strength.

Business Risks

The company holds or issues financial instruments in order to achieve three main objectives, being:

- (a) to finance its operations;
- (b) to manage its exposure to interest and currency risks arising from its operations and from its sources of finance; and
- (c) for trading purposes.

In addition, various financial instruments (e.g. trade debtors, trade creditors, accruals and prepayments) arise directly from the company's operations.

Transactions in financial instruments result in the company assuming or transferring to another party one or more of the financial risks described below.

Interest rate risk

The company had no financial instruments that are exposed to interest rate risk as the assets and liabilities of the company are of short term nature or at a fixed rate.

Credit risk

The company monitors credit risk closely and considers that its current policies of credit checks meet its objectives of managing exposure to credit risk.

METALLINK FLUID POWER SYSTEMS LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

Future Developments

In recent times we have seen unprecedented material price increases due to global demand and reduced capacity. We have worked in partnership with our customers who have shared this burden via increased sales prices. We expect demand for the forthcoming year to be similar to the current year and the economy appears to be stabilising, mitigating the risk of future fluctuations in material prices.

We are optimistic about the future and continue to implement a series of investments in capital in order to meet customer demand and maintain our position in the market.

We have neither supply or sales in Ukraine or Israel but the risks caused by these conflicts cannot be ignored and could, indirectly, via our supply chains affect the business in the future.

By order of the board

Mr A Hook
Secretary

19 August 2024

METALLINK FLUID POWER SYSTEMS LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2023

The directors present their annual report and financial statements for the year ended 31 December 2023.

Results and dividends

The results for the year are set out on page 9.

Ordinary dividends were paid amounting to £1,288,420. The directors do not recommend payment of a further dividend.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

Mrs A Bianconcini
Mr P Borghi

Statement of directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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.

Disclosure of Information in the Strategic Report

The directors' performance review, assessment of risks and future developments of the company are included in the strategic report.

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

METALLINK FLUID POWER SYSTEMS LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

By order of the board

Mr A Hook
Secretary

19 August 2024

METALLINK FLUID POWER SYSTEMS LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBER OF METALLINK FLUID POWER SYSTEMS LIMITED

Opinion

We have audited the financial statements of Metallink Fluid Power Systems Limited (the 'company') for the year ended 31 December 2023 which comprise the statement of income and retained earnings, the statement of financial position, the statement of cash flows and notes to the financial statements, including 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 2023 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

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

Other information

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of our audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

METALLINK FLUID POWER SYSTEMS LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBER OF METALLINK FLUID POWER SYSTEMS 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 directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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:

Our approach to identifying and assessing the risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, was as follows:

- the engagement partner ensured that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations;
- we identified the laws and regulations applicable to the company through discussions with directors and other management, and from our commercial knowledge and experience of the sector;
- we focused on specific laws and regulations which we considered may have a direct material effect on the financial statements or the operations of the company, including the Companies Act 2006, taxation legislation, data protection, anti-bribery, employment, environmental and health and safety legislation;
- we assessed the extent of compliance with the laws and regulations identified above through making enquiries of management and inspecting legal correspondence; and
- identified laws and regulations were communicated within the audit team regularly and the team remained alert to instances of non-compliance throughout the audit.

METALLINK FLUID POWER SYSTEMS LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBER OF METALLINK FLUID POWER SYSTEMS LIMITED

We assessed the susceptibility of the company's financial statements to material misstatement, including obtaining an understanding of how fraud might occur, by:

- making enquiries of management as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected and alleged fraud; and
- considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations.

To address the risk of fraud through management bias and override of controls, we:

- performed analytical procedures to identify any unusual or unexpected relationships;
- tested journal entries to identify unusual transactions;
- assessed whether judgements and assumptions made in determining the accounting estimates were indicative of potential bias; and
- investigated the rationale behind any identified significant or unusual transactions.

In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:

- agreeing financial statement disclosures to underlying supporting documentation;
- enquiring of management as to actual and potential litigation and claims; and
- reviewing correspondence with HMRC, relevant regulators and the company's legal advisors.

There are inherent limitations in our audit procedures described above. The more removed that laws and regulations are from financial transactions, the less likely it is that we would become aware of non-compliance. Auditing standards also limit the audit procedures required to identify non-compliance with laws and regulations to enquiry of the directors and other management and the inspection of regulatory and legal correspondence, if any. Material misstatements that arise due to fraud can be harder to detect than those that arise from error as they may involve deliberate concealment or collusion.

As part of an audit in accordance with ISAs (UK), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

METALLINK FLUID POWER SYSTEMS LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBER OF METALLINK FLUID POWER SYSTEMS LIMITED

Use of our report

This report is made solely to the company's member 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 member those matters we are required to state to the member 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 member, for our audit work, for this report, or for the opinions we have formed.

John P Yarrow FCA
Senior Statutory Auditor
For and on behalf of Allen Sykes Limited

20 August 2024

Chartered Accountants
Statutory Auditor

5 Henson Close
South Church Enterprise Park
Bishop Auckland
Co Durham
DL14 6WA

METALLINK FLUID POWER SYSTEMS LIMITED

STATEMENT OF INCOME AND RETAINED EARNINGS

FOR THE YEAR ENDED 31 DECEMBER 2023

| | Notes | 2023 £ | 2022 £ |
|---------------------------------------|----------|-------------|-------------|
| Turnover | 3 | 11,603,735 | 15,369,367 |
| Cost of sales | | (7,312,913) | (9,512,591) |
| | | <hr/> | <hr/> |
| Gross profit | | 4,290,822 | 5,856,776 |
| Administrative expenses | | (2,669,373) | (2,669,467) |
| | | <hr/> | <hr/> |
| Operating profit | 4 | 1,621,449 | 3,187,309 |
| Interest payable and similar expenses | 7 | - | (1,617) |
| | | <hr/> | <hr/> |
| Profit before taxation | | 1,621,449 | 3,185,692 |
| Tax on profit | 8 | (111,475) | (608,853) |
| | | <hr/> | <hr/> |
| Profit for the financial year | | 1,509,974 | 2,576,839 |
| Retained earnings brought forward | | 8,106,948 | 6,675,076 |
| Dividends | 9 | (1,288,420) | (1,144,967) |
| | | <hr/> | <hr/> |
| Retained earnings carried forward | | 8,328,502 | 8,106,948 |
| | | <hr/> <hr/> | <hr/> <hr/> |

The income statement has been prepared on the basis that all operations are continuing operations.

METALLINK FLUID POWER SYSTEMS LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2023

| | | 2023 | | 2022 | |
|---|-------|------------------|-------------------------|--------------------|-------------------------|
| | Notes | £ | £ | £ | £ |
| Fixed assets | | | | | |
| Tangible assets | 10 | | 1,736,658 | | 1,419,472 |
| Current assets | | | | | |
| Stocks | 11 | 2,622,870 | | 2,277,107 | |
| Debtors | 12 | 1,356,155 | | 2,596,215 | |
| Cash at bank and in hand | | 3,810,179 | | 4,652,863 | |
| | | <u>7,789,204</u> | | <u>9,526,185</u> | |
| Creditors: amounts falling due within one year | 13 | <u>(891,589)</u> | | <u>(2,609,489)</u> | |
| Net current assets | | | <u>6,897,615</u> | | <u>6,916,696</u> |
| Total assets less current liabilities | | | <u>8,634,273</u> | | <u>8,336,168</u> |
| Provisions for liabilities | | | | | |
| Deferred tax liability | 14 | <u>305,671</u> | | <u>229,120</u> | |
| | | | <u>(305,671)</u> | | <u>(229,120)</u> |
| Net assets | | | <u><u>8,328,602</u></u> | | <u><u>8,107,048</u></u> |
| Capital and reserves | | | | | |
| Called up share capital | 16 | | 100 | | 100 |
| Profit and loss reserves | | | <u>8,328,502</u> | | <u>8,106,948</u> |
| Total equity | | | <u><u>8,328,602</u></u> | | <u><u>8,107,048</u></u> |

The financial statements were approved by the board of directors and authorised for issue on 19 August 2024 and are signed on its behalf by:

Mr P Borghi
Director

Company Registration No. 03275681

METALLINK FLUID POWER SYSTEMS LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2023

| | Notes | 2023 £ | £ | 2022 £ | £ |
|---|-------|-------------------------|---|-------------------------|---|
| Cash flows from operating activities | | | | | |
| Cash generated from operations | 22 | 1,726,213 | | 3,565,966 | |
| Interest paid | | - | | (1,617) | |
| Income taxes paid | | (525,413) | | (91,755) | |
| Net cash inflow from operating activities | | <u>1,200,800</u> | | <u>3,472,594</u> | |
| Investing activities | | | | | |
| Purchase of tangible fixed assets | | (755,064) | | (806,150) | |
| Net cash used in investing activities | | <u>(755,064)</u> | | <u>(806,150)</u> | |
| Financing activities | | | | | |
| Dividends paid | | (1,288,420) | | (1,144,967) | |
| Net cash used in financing activities | | <u>(1,288,420)</u> | | <u>(1,144,967)</u> | |
| Net (decrease)/increase in cash and cash equivalents | | <u>(842,684)</u> | | <u>1,521,477</u> | |
| Cash and cash equivalents at beginning of year | | 4,652,863 | | 3,131,386 | |
| Cash and cash equivalents at end of year | | <u><u>3,810,179</u></u> | | <u><u>4,652,863</u></u> | |

METALLINK FLUID POWER SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

1 Accounting policies

Company information

Metallink Fluid Power Systems Limited is a private company limited by shares incorporated in England and Wales. The registered office is Unit BT 35/2, Prospect Road, Beechburn Industrial Estate, Crook, DL15 8JL.

1.1 Accounting convention

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

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

1.2 Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

1.3 Turnover

Turnover is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer (usually on dispatch of the goods), the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

1.4 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

| | |
|-----------------------|--|
| Land and buildings | 5% straight line |
| Plant and machinery | 30% reducing balance & 30% straight line |
| Fixtures and fittings | 25% reducing balance |
| Equipment | 33% reducing balance & 25% straight line |
| Motor vehicles | 25% reducing balance |

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

1.5 Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

METALLINK FLUID POWER SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

1 Accounting policies (Continued)

1.6 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

Stocks held for distribution at no or nominal consideration are measured at the lower of cost and replacement cost, adjusted where applicable for any loss of service potential.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

1.7 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.8 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's statement of financial position when the company becomes party to the contractual provisions of the instrument.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

METALLINK FLUID POWER SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

1 Accounting policies (Continued)

1.9 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

1.10 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

1.11 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.12 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

1.13 Leases

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leases asset are consumed.

2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

METALLINK FLUID POWER SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

3 Turnover

| | 2023 | 2022 |
|---|-------------------|-------------------|
| | £ | £ |
| Turnover analysed by class of business | | |
| Sale of goods | 11,603,735 | 15,369,367 |
| | <u>11,603,735</u> | <u>15,369,367</u> |
| | 2023 | 2022 |
| | £ | £ |
| Turnover analysed by geographical market | | |
| United Kingdom | 11,479,404 | 15,201,732 |
| Europe | 81,052 | 93,574 |
| India | 2,804 | 26,269 |
| United States | 25,377 | 5,752 |
| Brazil | 14,527 | 36,370 |
| China | 571 | 5,670 |
| | <u>11,603,735</u> | <u>15,369,367</u> |

4 Operating profit

| | 2023 | 2022 |
|---|----------------|----------------|
| | £ | £ |
| Operating profit for the year is stated after charging/(crediting): | | |
| Exchange gains | (40,839) | (75,689) |
| Depreciation of owned tangible fixed assets | 437,878 | 316,497 |
| Operating lease charges | 85,500 | 97,824 |
| | <u>482,539</u> | <u>338,632</u> |

5 Auditor's remuneration

| | 2023 | 2022 |
|---|--------------|--------------|
| | £ | £ |
| Fees payable to the company's auditor and associates: | | |
| For audit services | | |
| Audit of the financial statements of the company | 9,400 | 9,600 |
| | <u>9,400</u> | <u>9,600</u> |
| For other services | | |
| All other non-audit services | 1,785 | 1,600 |
| | <u>1,785</u> | <u>1,600</u> |

6 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

| | 2023 | 2022 |
|----------------------|-----------|-----------|
| | Number | Number |
| Production staff | 89 | 85 |
| Administrative staff | 9 | 9 |
| | <u>98</u> | <u>94</u> |
| Total | <u>98</u> | <u>94</u> |

METALLINK FLUID POWER SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

| 6 | Employees | (Continued) | |
|----------|--|-------------------------|-------------------------|
| | Their aggregate remuneration comprised: | | |
| | | 2023 | 2022 |
| | | £ | £ |
| | Wages and salaries | 2,989,164 | 3,364,220 |
| | Social security costs | 264,044 | 302,371 |
| | Pension costs | 150,193 | 119,976 |
| | | <u>3,403,401</u> | <u>3,786,567</u> |
| | | <u><u>3,403,401</u></u> | <u><u>3,786,567</u></u> |
| 7 | Interest payable and similar expenses | | |
| | | 2023 | 2022 |
| | | £ | £ |
| | Other interest payable | - | 1,617 |
| | | <u>-</u> | <u>1,617</u> |
| | | <u><u>-</u></u> | <u><u>1,617</u></u> |
| 8 | Taxation | | |
| | | 2023 | 2022 |
| | | £ | £ |
| | Current tax | | |
| | UK corporation tax on profits for the current period | 289,171 | 457,855 |
| | Adjustments in respect of prior periods | (254,247) | - |
| | Total current tax | <u>34,924</u> | <u>457,855</u> |
| | | <u><u>34,924</u></u> | <u><u>457,855</u></u> |
| | Deferred tax | | |
| | Origination and reversal of timing differences | 76,551 | 150,998 |
| | | <u>76,551</u> | <u>150,998</u> |
| | | <u><u>76,551</u></u> | <u><u>150,998</u></u> |
| | Total tax charge | <u>111,475</u> | <u>608,853</u> |
| | | <u><u>111,475</u></u> | <u><u>608,853</u></u> |

METALLINK FLUID POWER SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

8 Taxation (Continued)

The actual charge for the year can be reconciled to the expected charge for the year based on the profit or loss and the standard rate of tax as follows:

| | 2023 £ | 2022 £ |
|--|-----------|-----------|
| Profit before taxation | 1,621,449 | 3,185,692 |
| Expected tax charge based on the standard rate of corporation tax in the UK of 23.52% (2022: 19.00%) | 381,365 | 605,281 |
| Tax effect of expenses that are not deductible in determining taxable profit | 295 | 387 |
| Effect of change in corporation tax rate | 3,980 | - |
| Permanent capital allowances in excess of depreciation | (19,927) | 3,185 |
| Research and development tax credit | (254,247) | - |
| Rounding | 9 | - |
| Taxation charge for the year | 111,475 | 608,853 |

9 Dividends

| | 2023 £ | 2022 £ |
|------------|-----------|-----------|
| Final paid | 1,288,420 | 1,144,967 |

10 Tangible fixed assets

| | Land and buildings £ | Plant and machinery £ | Fixtures and fittings £ | Equipment £ | Motor vehicles £ | Total £ |
|------------------------------------|----------------------------|-----------------------------|-------------------------------|----------------|---------------------|------------|
| Cost | | | | | | |
| At 1 January 2023 | 3,504,323 | 6,335,844 | 504,572 | 322,466 | 65,041 | 10,732,246 |
| Additions | 316,899 | 419,652 | 16,263 | 2,250 | - | 755,064 |
| At 31 December 2023 | 3,821,222 | 6,755,496 | 520,835 | 324,716 | 65,041 | 11,487,310 |
| Depreciation and impairment | | | | | | |
| At 1 January 2023 | 3,149,154 | 5,419,925 | 417,940 | 276,546 | 49,209 | 9,312,774 |
| Depreciation charged in the year | 29,705 | 362,427 | 23,875 | 17,913 | 3,958 | 437,878 |
| At 31 December 2023 | 3,178,859 | 5,782,352 | 441,815 | 294,459 | 53,167 | 9,750,652 |
| Carrying amount | | | | | | |
| At 31 December 2023 | 642,363 | 973,144 | 79,020 | 30,257 | 11,874 | 1,736,658 |
| At 31 December 2022 | 355,169 | 915,919 | 86,632 | 45,920 | 15,832 | 1,419,472 |

METALLINK FLUID POWER SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

| 11 Stocks | 2023 | 2022 |
|-------------------------------------|------------------|------------------|
| | £ | £ |
| Raw materials and consumables | 1,895,468 | 1,452,264 |
| Work in progress | 140,696 | 261,787 |
| Finished goods and goods for resale | 586,706 | 563,056 |
| | <u>2,622,870</u> | <u>2,277,107</u> |

| 12 Debtors | 2023 | 2022 |
|--------------------------------------|------------------|------------------|
| Amounts falling due within one year: | £ | £ |
| Trade debtors | 1,161,561 | 2,441,257 |
| Corporation tax recoverable | 30,076 | - |
| Other debtors | 6,500 | 7,140 |
| Prepayments and accrued income | 158,018 | 147,818 |
| | <u>1,356,155</u> | <u>2,596,215</u> |

| 13 Creditors: amounts falling due within one year | 2023 | 2022 |
|---|----------------|------------------|
| | £ | £ |
| Trade creditors | 299,604 | 689,123 |
| Amounts owed to group undertakings | 180,979 | 695,118 |
| Corporation tax | - | 460,413 |
| Other taxation and social security | 337,918 | 556,408 |
| Other creditors | 14,598 | 21,164 |
| Accruals and deferred income | 58,490 | 187,263 |
| | <u>891,589</u> | <u>2,609,489</u> |

14 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the company and movements thereon:

| | Liabilities 2023 | Liabilities 2022 |
|--------------------------------|---------------------|---------------------|
| Balances: | £ | £ |
| Accelerated capital allowances | <u>305,671</u> | <u>229,120</u> |

METALLINK FLUID POWER SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

14 Deferred taxation (Continued)

| | 2023 |
|-----------------------------|---------|
| Movements in the year: | £ |
| Liability at 1 January 2023 | 229,120 |
| Charge to profit or loss | 76,551 |
| | 305,671 |
| | 305,671 |

15 Retirement benefit schemes

| | 2023 | 2022 |
|---|---------|---------|
| Defined contribution schemes | £ | £ |
| Charge to profit or loss in respect of defined contribution schemes | 150,193 | 119,976 |
| | 150,193 | 119,976 |
| | 150,193 | 119,976 |

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

16 Share capital

| | 2023 | 2022 | 2023 | 2022 |
|----------------------------|--------|--------|------|------|
| Ordinary share capital | Number | Number | £ | £ |
| Issued and fully paid | | | | |
| Ordinary shares of £1 each | 100 | 100 | 100 | 100 |
| | 100 | 100 | 100 | 100 |
| | 100 | 100 | 100 | 100 |

17 Reserves

Profit and Loss Account - This reserve records distributable retained earnings and accumulated losses.

18 Operating lease commitments

Lessee

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

| | 2023 | 2022 |
|----------------------------|--------|--------|
| | £ | £ |
| Within one year | 10,965 | 10,003 |
| Between two and five years | 27,278 | 27,679 |
| | 38,243 | 37,682 |
| | 38,243 | 37,682 |

METALLINK FLUID POWER SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

19 Capital commitments

Amounts contracted for but not provided in the financial statements:

| | 2023 | 2022 |
|--------------------------------------|---------|------|
| | £ | £ |
| Acquisition of tangible fixed assets | 210,000 | - |

20 Related party transactions

Transactions with related parties

During the year the company entered into the following transactions with related parties:

During the year the ultimate parent company, G.B. Spa, sold services amounting to £227,866 (2022: £184,916) to the company. The amount due to G.B. Spa at 31 December 2023 was £18,106 (2022: £19,610).

During the year the company purchased/sold goods and services in the normal course of business from/to the following related companies in which the Directors Mrs A Bianconcini and Mr P Borghi have common control:

| | Purchases | Sales |
|----------------------------------|----------------------------|------------------------|
| FOR Spa | £720,110 (2022:£1,296,107) | £Nil (2022:£Nil) |
| Borghi Impianti Oleodinamici Spa | £541,040 (2022:£295,535) | £18,127 (2022:£17,330) |

Amounts owed by the above companies were as follows:

| | Amounts owed by the company | Amounts owed to the company |
|----------------------------------|--------------------------------|--------------------------------|
| FOR Spa | £86,711 (2022:£566,765) | £Nil (2022:£Nil) |
| Borghi Impianti Oleodinamici Spa | £92,409 (2022:£110,410) | £16,247 (2022:£1,668) |

21 Ultimate controlling party

The ultimate parent company is G.B. Spa, a company incorporated in Italy, which owns 100% of the issued share capital. G.B. Spa is controlled by Mrs A Bianconcini who owns 81.48% of the share capital.

METALLINK FLUID POWER SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

22 Cash generated from operations

| | 2023 | 2022 |
|--|------------------|------------------|
| | £ | £ |
| Profit for the year after tax | 1,509,974 | 2,576,839 |
| Adjustments for: | | |
| Taxation charged | 111,475 | 608,853 |
| Finance costs | - | 1,617 |
| Depreciation and impairment of tangible fixed assets | 437,878 | 316,497 |
| Movements in working capital: | | |
| Increase in stocks | (345,763) | (355,248) |
| Decrease/(increase) in debtors | 1,270,136 | (77,965) |
| (Decrease)/increase in creditors | (1,257,487) | 495,373 |
| Cash generated from operations | <u>1,726,213</u> | <u>3,565,966</u> |

23 Analysis of changes in net funds

| | 1 January 2023 | Cash flows | 31 December 2023 |
|--------------------------|------------------|------------------|---------------------|
| | £ | £ | £ |
| Cash at bank and in hand | 4,652,863 | (842,684) | 3,810,179 |
| | <u>4,652,863</u> | <u>(842,684)</u> | <u>3,810,179</u> |

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.