

Company Registration No. 00968729 (England and Wales)

CAUNTON ENGINEERING LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2019

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CAUNTON ENGINEERING LIMITED

COMPANY INFORMATION

| | |
|--------------------------|---|
| Directors | D F Bingham S D Bingham S J Cundy R J Berry G J Griffiths M J Shimwell J Locke (Non-executive) S T R Klein (Non-executive) |
| Secretary | H C Bingham J M Bingham |
| Company number | 00968729 |
| Registered office | National Workshops Moorgreen Industrial Park Moorgreen Nottinghamshire NG16 3QU |
| Auditor | Baldwins Audit Services 5th Floor Ship Canal House 98 King Street Manchester M2 4WU |
| Bankers | Lloyds Bank plc Butt Dyke House 33 Park Row Nottingham Nottinghamshire NG1 6GY |

CAUNTON ENGINEERING LIMITED

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CAUNTON ENGINEERING LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 JANUARY 2019

The directors present the strategic report for the year ended 31 January 2019.

Principal activities

The principal activity of the company throughout the year continued to be that of structural engineering.

Business review

2018-19 was a year of good growth for the business as our core markets held up amidst the wider political uncertainty.

Our succession plan was successfully completed in the year and the new structure and operating model has met shareholder expectations.

During the year we witnessed the opening of our new Production facilities comprising a new Production Management Suite, locker and changing rooms as well as a new canteen. This was one of three multi million pound investments with the second, a new office block, recently completed, ahead of the final phase that sees the existing offices converted into manufacturing space.

The Board lost a long serving and valuable member with the passing of Sir David Naish who will be warmly remembered by all and who we thank for his huge contribution to many aspects of the development of our business.

Our overarching strategy remains one of profitable growth through innovation, technical expertise, lean manufacturing techniques and tight management controls.

Principal risks and uncertainties

Raw material prices are the single largest input cost and have been subject to considerable fluctuations in the past. The impact of this can result in significant swings not just on a project but also the entire business. In order to mitigate this we negotiate supply and pricing with all our major suppliers. Our relationships with our supply chain are very broad as well as robust and we believe that we are well placed to ensure that we can continue to meet our customers' needs.

Occupational Health and Safety standards are set very high within the construction industry. Failure to adhere to the standards can result in accidents and/or injuries that can prove fatal. This is therefore of great importance to the Board as any negative impact in this area not only affects the lives of those involved but the reputation of the business and potential future work.

Financial key performance indicators

Cash remains key to all businesses and we track our balances daily and constantly monitor our debtor and creditor days.

Net Profit on Sales is one of our primary indicators of performance as it takes into account the true running costs of the business in totality.

Our Forward Order Book of contracted sales gives us a clear look ahead of what resources both operationally and financially we need to plan to have in place.

Enquiries are measured in number, quality and value. Our conversion rates from tenders to contracts won by market sector and client along with the cost of servicing those markets and clients are monitored to ensure best returns.

With Health and Safety being such a critical factor we measure our AFR (accident frequency rate) and report this back to the Board throughout the year.

CAUNTON ENGINEERING LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 JANUARY 2019

Reputation

As advocates of the principles laid down first by Latham, upheld by Egan and enforced by Wolstenholme we continue to seek out those clients who share these values. Collaboration, innovation and trust are integral to driving costs out of construction and this is a path that we continue to pursue. We firmly believe that financial robustness and relevant accreditations are now being actively sought out by intelligent clients who wish to avoid the huge legacy costs associated with rectifying unaccredited works. We continue to seek more repeat business with fewer like-minded clients and are witnessing a resurgence in customers engaging ahead of orders being placed as they search out collaboration and expert knowledge.

Quality, Environment and Safety

Caunton proudly retains its accredited standards for Quality, the Environment and Occupational Health and Safety (BS EN ISO 9001:2015; BS EN ISO 14001:2015; BS EN 45001:2018, incorporating SSIP). In addition to these cornerstones Caunton retained the BCSCA's Gold Standard for Sustainability and Investors In People which we have held since 1998.

ENF Welding Standard ISO 3834 Part 2: 2005 underpins Caunton's ability to CE mark structural steelwork.


People

Our dedicated team of people remain the core strength of our business. Their hard work and endeavour throughout this trading period has resulted in this positive set of results. Our EAL accredited Academy remains one of the very few such facilities throughout Europe for nurturing the core skills of fabrication and welding. This, alongside our graduate recruitment and internal training program, highlights our fundamental belief that not only is our success dependent upon people development but so too is the future of construction.

Outlook

The outlook for 2019-2020 looks to be better than the trading environment of 2018-2019 for construction in the UK and, as we look forward to settling into our new HQ, we look forward to the future with optimism.

On behalf of the board



S D Bingham

Director

26 Sept 19

CAUNTON ENGINEERING LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 JANUARY 2019

The directors present their annual report and financial statements for the year ended 31 January 2019.

Directors

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

| | |
|-----------------------------|-----------------------------|
| D F Bingham | |
| S D Bingham | |
| S J Cundy | |
| R J Berry | |
| G J Griffiths | |
| M J Shimwell | (Appointed 1 April 2018) |
| J Locke (Non-executive) | |
| D Naish (Non-executive) | (Deceased 1 July 2019) |
| S T R Klein (Non-executive) | (Appointed 1 November 2018) |

Results and dividends

The results for the year are set out on page 8.

No ordinary dividends were paid. The directors do not recommend payment of a final dividend.

Financial instruments

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.

Liquidity risk

The company manages its cash and borrowing requirements in order to maximise interest income and minimise interest expense, whilst ensuring the company has sufficient liquid resources to meet the operating needs of the business.

Interest rate risk

The company is exposed to fair value interest rate risk on its fixed rate borrowings. The directors monitor institutional interest rates closely so as to reduce its exposure to changes in rates.

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.

The company has no significant concentrations of credit risk. Amounts shown in the balance sheet best represent the maximum credit risk exposure in the event other parties fail to perform their obligations under financial instruments.

CAUNTON ENGINEERING LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 JANUARY 2019

Disabled persons

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment within the company continues and that the appropriate training is arranged. It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Employee involvement

The company's policy is to consult and discuss with employees, through unions, staff councils and at meetings, matters likely to affect employees' interests.

Information about matters of concern to employees is given through information bulletins and reports which seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting the company's performance.

There is no employee share scheme at present, but the directors are considering the introduction of such a scheme as a means of further encouraging the involvement of employees in the company's performance.

Auditor

The auditor, Baldwins Audit Services (previously trading as CLB Coopers Audit Services), is deemed to be reappointed under section 487(2) of the Companies Act 2006.

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;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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.

CAUNTON ENGINEERING LIMITED


DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 JANUARY 2019

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.

On behalf of the board


.....
S J Cundy
Director
Date: 26th Sept 2019

CAUNTON ENGINEERING LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBER OF CAUNTON ENGINEERING LIMITED

Opinion

We have audited the financial statements of Cauntton Engineering Limited (the 'company') for the year ended 31 January 2019 which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity and 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 FRS 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 January 2019 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

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report 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 there is a material misstatement in the financial statements or a material misstatement of the other information. 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.

CAUNTON ENGINEERING LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBER OF CAUNTON ENGINEERING 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 and the directors' report.

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 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.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

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 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 member, for our audit work, for this report, or for the opinions we have formed.

Baldwins Audit Services

Graham Rigby (Senior Statutory Auditor)
for and on behalf of Baldwins Audit Services

26/9/19
.....

Statutory Auditor

5th Floor
Ship Canal House
98 King Street
Manchester
M2 4WU

CAUNTON ENGINEERING LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 JANUARY 2019

| | Notes | 2019 £ | 2018 £ |
|--|----------|------------------|------------------|
| Turnover | 3 | 60,769,233 | 49,251,609 |
| Change in stocks of finished goods and in work in progress | | (814,954) | 646,149 |
| Other operating income | | 49,982 | 379,387 |
| Raw materials and consumables | | (28,140,141) | (23,384,304) |
| Staff costs | 5 | (11,683,069) | (10,751,783) |
| Depreciation | 4 | (746,495) | (920,089) |
| Other operating expenses | | (16,314,474) | (12,962,424) |
| Operating profit | 4 | 3,120,082 | 2,258,545 |
| Interest receivable and similar income | 7 | 55,887 | 44,794 |
| Interest payable and similar expenses | 8 | (59,352) | (1,338,295) |
| Profit before taxation | | 3,116,617 | 965,044 |
| Tax on profit | 9 | 203,937 | 573,128 |
| Profit for the financial year | | <u>3,320,554</u> | <u>1,538,172</u> |

The profit and loss account has been prepared on the basis that all operations are continuing operations.

CAUNTON ENGINEERING LIMITED

BALANCE SHEET

AS AT 31 JANUARY 2019

| | Notes | 2019 £ | £ | 2018 £ | £ |
|--|-------|--------------|------------|--------------|-------------|
| Fixed assets | | | | | |
| Tangible assets | 10 | | 4,011,761 | | 3,999,888 |
| Current assets | | | | | |
| Stocks | 11 | 1,488,127 | | 2,303,081 | |
| Debtors | 12 | 9,763,728 | | 6,591,883 | |
| Cash at bank and in hand | | 7,610,481 | | 6,692,369 | |
| | | 18,862,336 | | 15,587,333 | |
| Creditors: amounts falling due within one year | 13 | (12,561,589) | | (12,182,434) | |
| Net current assets | | | 6,300,747 | | 3,404,899 |
| Total assets less current liabilities | | | 10,312,508 | | 7,404,787 |
| Creditors: amounts falling due after more than one year | 14 | | (640,803) | | (1,048,231) |
| Provisions for liabilities | | | | | |
| Deferred tax liability | 15 | 270,336 | | 275,741 | |
| | | | (270,336) | | (275,741) |
| Net assets | | | 9,401,369 | | 6,080,815 |
| Capital and reserves | | | | | |
| Called up share capital | 17 | | 1,000 | | 1,000 |
| Capital redemption reserve | 18 | | 2,025,000 | | 2,025,000 |
| Other reserves | | | 9,638 | | 9,638 |
| Profit and loss reserves | 19 | | 7,365,731 | | 4,045,177 |
| Total equity | | | 9,401,369 | | 6,080,815 |

The financial statements were approved by the board of directors and authorised for issue on 26/09/19... and are signed on its behalf by:



S D Bingham
Director

Company Registration No. 00968729

CAUNTON ENGINEERING LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 JANUARY 2019

| | Share capital £ | Capital redemption reserve £ | Other reserves £ | Profit and loss reserves £ | Total £ |
|--|-----------------------|---------------------------------------|------------------------|-------------------------------------|------------|
| Balance at 1 February 2017 | 1,000 | 1,905,000 | 9,638 | 2,627,005 | 4,542,643 |
| Year ended 31 January 2018: | | | | | |
| Profit and total comprehensive income for the year | - | - | - | 1,538,172 | 1,538,172 |
| Purchase of own preference shares | - | 120,000 | - | (120,000) | - |
| Balance at 31 January 2018 | 1,000 | 2,025,000 | 9,638 | 4,045,177 | 6,080,815 |
| Year ended 31 January 2019: | | | | | |
| Profit and total comprehensive income for the year | - | - | - | 3,320,554 | 3,320,554 |
| Balance at 31 January 2019 | 1,000 | 2,025,000 | 9,638 | 7,365,731 | 9,401,369 |

CAUNTON ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JANUARY 2019

1 Accounting policies

Company information

Caunton Engineering Limited is a private company limited by shares incorporated in England and Wales. The registered office is National Workshops, Moorgreen Industrial Park, Moorgreen, Nottinghamshire, NG16 3QU.

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 have been set out below.

This company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements:

- Section 7 'Statement of Cash Flows' – Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues' – Carrying amounts, interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income;

The financial statements of the company are consolidated in the financial statements of Caunton Holdings Limited. These consolidated financial statements are available from its registered office, National Workshops, Moorgreen Industrial Park, Moorgreen, Nottingham, Nottinghamshire, NG16 3QU.

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

Attributable turnover is calculated by reference to applications made including retentions, less provisions for turnover attributable to future periods. Turnover is stated net of value added tax.

1.4 Research and development expenditure

Research expenditure is written off against profits in the year in which it is incurred. Identifiable development expenditure is capitalised to the extent that the technical, commercial and financial feasibility can be demonstrated.

1.5 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.

CAUNTON ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 JANUARY 2019

1 Accounting policies

(Continued)

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:

| | |
|-----------------------------------|---|
| Plant and machinery | 15% on written down value & straight line over 15 years |
| Furniture, fittings and equipment | 15% on written down value or straight line over 5 years |
| Motor vehicles | 25% on written down value |

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.

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.

1.6 Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

1.7 Construction contracts

Work in progress is valued at net cost, less foreseeable losses. Profit on short term contracts is recognised as the work is carried out if the final outcome can be assessed with reasonable certainty. Profit is ascertained in a manner appropriate to the stage of completion of the contract, by reference to attributable turnover less costs incurred to date. Costs include subcontracting which is recognised on the basis of applications received. No provision is made for retention-related expenditure unless the cost of rectification work is known. Full provision is made for losses on all contracts in the year they are first foreseen.

1.8 Cash at bank and in hand

Cash at bank and in hand are basic financial assets and include cash in hand and deposits held at call with banks.

1.9 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 balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs, less impairment.

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

CAUNTON ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 JANUARY 2019

1 Accounting policies

(Continued)

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. The impairment loss is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity.

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, 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.

Other financial liabilities

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Derecognition of financial liabilities

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

1.10 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.

1.11 Taxation

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

CAUNTON ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JANUARY 2019

1 Accounting policies

(Continued)

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account 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.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.12 Retirement benefits

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

The contributions are recognised as an expense in the statement of comprehensive income when they fall due. Amounts not paid are shown in other creditors as a liability in the balance sheet. The assets of the plan are held separately from the company in independently administered funds.

1.13 Leases

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets. Assets acquired by finance leases are depreciated over the shorter of the lease term and their useful lives. Assets acquired by hire purchase are depreciated over their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the company. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligation in each period.

Operating lease rentals are charged as an expense in the profit and loss account on a straight line basis.

1.14 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 the statement of comprehensive income 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.

1.15 Interest income

Interest income is recognised in the statement of comprehensive income using the effective interest method.

CAUNTON ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 JANUARY 2019

1 Accounting policies

(Continued)

1.16 Finance costs

Finance costs are charged to the statement of comprehensive income 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.

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.

Critical judgements

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Provisions for loss making contracts

Where losses on contracts are expected, the entire forecast loss is recognised immediately within the profit and loss account.

Stage of contract completion

Profit is recognised in the profit and loss account subject to the stage of completion and an assessment of the value of work done on each contract, taking into consideration contract variations, estimated costs to complete and forecast profitability.

Bad debt provision

The directors have reviewed the trading balances owing to the company from its customers and made adequate provision for any debts where it is considered probable that the amount will not be recovered. The amounts would have otherwise been recognised in trade debtors.

3 Turnover and other revenue

The whole of the turnover is attributable to the one principal activity of the company.

All turnover arose within the United Kingdom.

| | 2019 £ | 2018 £ |
|----------------------------------|-------------------|-------------------|
| Other significant revenue | | |
| Interest income | 55,887 | 44,794 |
| Grants received | 49,982 | 379,387 |
| | <u> </u> | <u> </u> |

CAUNTON ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 JANUARY 2019

4 Operating profit

| | 2019 £ | 2018 £ |
|---|------------------|------------------|
| Operating profit for the year is stated after charging: | | |
| Auditor's remuneration | 21,900 | 21,900 |
| Auditor's remuneration - non audit | 4,700 | 4,700 |
| Depreciation of owned tangible fixed assets | 428,124 | 295,574 |
| Depreciation of tangible fixed assets held under finance leases | 313,871 | 582,161 |
| Loss on disposal of tangible fixed assets | 4,500 | 42,354 |
| Operating lease charges | 1,783,590 | 1,781,283 |
| | <u>1,783,590</u> | <u>1,781,283</u> |

5 Employees

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

| | 2019 Number | 2018 Number |
|--|----------------|----------------|
| Number of production staff | 159 | 155 |
| Number of technical and administrative staff | 94 | 90 |
| | <u>253</u> | <u>245</u> |

Their aggregate remuneration comprised:

| | 2019 £ | 2018 £ |
|-----------------------|-------------------|-------------------|
| Wages and salaries | 9,998,141 | 9,176,299 |
| Social security costs | 988,756 | 905,026 |
| Pension costs | 696,172 | 670,458 |
| | <u>11,683,069</u> | <u>10,751,783</u> |

6 Directors' remuneration

| | 2019 £ | 2018 £ |
|---|----------------|----------------|
| Remuneration for qualifying services | 323,996 | 320,817 |
| Company pension contributions to defined contribution schemes | 100,854 | 96,864 |
| | <u>424,850</u> | <u>417,681</u> |

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 3 (2018 - 2).

CAUNTON ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 JANUARY 2019

6 Directors' remuneration

(Continued)

Remuneration disclosed above include the following amounts paid to the highest paid director:

| | 2019 £ | 2018 £ |
|---|----------------|----------------|
| Remuneration for qualifying services | 154,433 | 154,945 |
| Company pension contributions to defined contribution schemes | 48,729 | 51,501 |
| | <u>154,433</u> | <u>154,945</u> |

7 Interest receivable and similar income

| | 2019 £ | 2018 £ |
|---------------------------|---------------|---------------|
| Interest income | | |
| Interest on bank deposits | 55,887 | 44,794 |
| | <u>55,887</u> | <u>44,794</u> |

8 Interest payable and similar expenses

| | 2019 £ | 2018 £ |
|--|---------------|------------------|
| Interest on finance leases and hire purchase contracts | 59,352 | 79,791 |
| Preference share dividends | - | 1,258,504 |
| | <u>59,352</u> | <u>1,338,295</u> |

9 Taxation

| | 2019 £ | 2018 £ |
|--|------------------|------------------|
| Current tax | | |
| UK corporation tax on profits for the current period | 206,589 | 86,728 |
| Adjustments in respect of prior periods | (405,121) | (640,093) |
| Total current tax | <u>(198,532)</u> | <u>(553,365)</u> |
| Deferred tax | | |
| Origination and reversal of timing differences | (5,405) | (19,763) |
| | <u>(5,405)</u> | <u>(19,763)</u> |
| Total tax credit | <u>(203,937)</u> | <u>(573,128)</u> |

CAUNTON ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 JANUARY 2019

9 Taxation

(Continued)

The actual credit 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:

| | 2019 £ | 2018 £ |
|--|-----------|-----------|
| Profit before taxation | 3,116,617 | 965,044 |
| Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2018: 19.16%) | 592,157 | 184,902 |
| Tax effect of expenses that are not deductible in determining taxable profit | 15,214 | 202,194 |
| Adjustments in respect of prior years | (405,047) | (640,093) |
| Effect of change in corporation tax rate | (4,630) | 5,757 |
| Depreciation on assets not qualifying for tax allowances | 10,900 | 2,096 |
| Research and development tax credit | (350,000) | (350,000) |
| Deferred tax adjustments in respect of prior years | (62,531) | 22,016 |
| Taxation credit for the year | (203,937) | (573,128) |

10 Tangible fixed assets

| | Plant and machinery £ | Furniture, fittings and equipment £ | Motor vehicles £ | Total £ |
|------------------------------------|-----------------------------|--|------------------------|------------|
| Cost | | | | |
| At 1 February 2018 | 9,299,867 | 1,821,022 | 588,575 | 11,709,464 |
| Additions | 707,945 | 31,169 | 20,400 | 759,514 |
| Disposals | (249) | (71,772) | (4,000) | (76,021) |
| At 31 January 2019 | 10,007,563 | 1,780,419 | 604,975 | 12,392,957 |
| Depreciation and impairment | | | | |
| At 1 February 2018 | 6,084,266 | 1,363,676 | 261,634 | 7,709,576 |
| Depreciation charged in the year | 538,316 | 128,128 | 75,551 | 741,995 |
| Eliminated in respect of disposals | (207) | (67,965) | (2,203) | (70,375) |
| At 31 January 2019 | 6,622,375 | 1,423,839 | 334,982 | 8,381,196 |
| Carrying amount | | | | |
| At 31 January 2019 | 3,385,188 | 356,580 | 269,993 | 4,011,761 |
| At 31 January 2018 | 3,215,601 | 457,346 | 326,941 | 3,999,888 |

CAUNTON ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 JANUARY 2019

10 Tangible fixed assets

(Continued)

The net carrying value of tangible fixed assets includes the following in respect of assets held under finance leases or hire purchase contracts.

| | 2019 £ | 2018 £ |
|---------------------|------------------|------------------|
| Plant and machinery | 1,429,630 | 1,719,120 |
| Motor vehicles | 137,724 | 162,105 |
| | <u>1,567,354</u> | <u>1,881,225</u> |

11 Stocks

| | 2019 £ | 2018 £ |
|-------------------------------|------------------|------------------|
| Raw materials and consumables | 327,921 | 341,755 |
| Work in progress | 1,160,206 | 1,961,326 |
| | <u>1,488,127</u> | <u>2,303,081</u> |

12 Debtors

| | 2019 £ | 2018 £ |
|---|------------------|------------------|
| Amounts falling due within one year: | | |
| Trade debtors | 8,258,991 | 5,190,787 |
| Corporation tax recoverable | 200,744 | 712,075 |
| Amounts owed by related parties | 306,509 | 167,606 |
| Other debtors | 997,484 | 521,415 |
| | <u>9,763,728</u> | <u>6,591,883</u> |

13 Creditors: amounts falling due within one year

| | 2019 £ | 2018 £ |
|--------------------------------------|-------------------|-------------------|
| Obligations under finance leases | 407,428 | 446,589 |
| Trade creditors | 8,168,728 | 7,603,540 |
| Amounts owed to related undertakings | 1,044,743 | 2,078,504 |
| Other taxation and social security | 1,067,007 | 342,181 |
| Grant income deferred | 113,086 | 135,644 |
| Other creditors | 1,760,597 | 1,575,976 |
| | <u>12,561,589</u> | <u>12,182,434</u> |

Obligations under finance leases and hire purchase contracts are secured against the assets to which they relate.

CAUNTON ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 JANUARY 2019

14 Creditors: amounts falling due after more than one year

| | 2019 £ | 2018 £ |
|----------------------------------|----------------|------------------|
| Obligations under finance leases | 639,803 | 1,047,231 |
| Amounts owed to related parties | 1,000 | 1,000 |
| | <u>640,803</u> | <u>1,048,231</u> |

15 Deferred taxation

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

| | Liabilities 2019 £ | Liabilities 2018 £ |
|--------------------------------|--------------------------|--------------------------|
| Balances: | | |
| Accelerated capital allowances | 279,640 | 285,636 |
| Tax losses | - | (9,895) |
| Short term timing differences | (9,304) | - |
| | <u>270,336</u> | <u>275,741</u> |
| Movements in the year: | | 2019 £ |
| Liability at 1 February 2018 | | 275,741 |
| Credit to profit or loss | | (5,405) |
| Liability at 31 January 2019 | | <u>270,336</u> |

16 Retirement benefit schemes

| | 2019 £ | 2018 £ |
|---|----------------|----------------|
| Defined contribution schemes | | |
| Charge to profit or loss in respect of defined contribution schemes | <u>696,172</u> | <u>670,458</u> |

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.

At the year end, contributions outstanding were £63,803 (2018: £58,205), held in other creditors.

CAUNTON ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JANUARY 2019

17 Share capital

| | 2019 | 2018 |
|----------------------------------|-------------------|-------------------|
| | £ | £ |
| Ordinary share capital | | |
| Issued and fully paid | | |
| 1,000 Ordinary shares of £1 each | 1,000 | 1,000 |
| | <u> </u> | <u> </u> |

18 Capital redemption reserve

The capital redemption reserve is a non-distributable reserve and represents paid up share capital that the company has bought back.

CAUNTON ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 JANUARY 2019

19 Profit and loss reserves

The profit and loss account represents accumulated trading profit, less equity dividends paid and less cumulative amounts transferred to the capital redemption reserve.

20 Operating lease commitments

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:

| | 2019 £ | 2018 £ |
|----------------------------|------------------|------------------|
| Within one year | 984,671 | 983,759 |
| Between two and five years | 3,264,278 | 3,137,602 |
| In over five years | 1,845,925 | 2,582,933 |
| | <u>6,094,874</u> | <u>6,704,294</u> |

21 Related party transactions

The company has taken full advantage of the exemption under section 33 of FRS 102 from disclosing transactions with other members of the group headed by Caunton Holdings Limited provided that consolidated financial statements in which the company is included are publicly available. At the balance sheet date the net amount owed to Caunton Holdings Limited was £nil (2018: £nil).

Maplebeck Holdings Limited, Caunton Investments Limited and Tiger Buildings Limited are related parties by virtue of common control.

During the year goods and services were charged on a normal commercial basis to the company from Maplebeck Holdings Limited and Caunton Investments Limited amounting to £511,083 (2018: £510,250) and £887,636 (2018: £1,587,636) respectively. Preference share dividends payable to Caunton Investments Limited amounted to £nil (2018: £1,258,504).

At the year end the company was owed £44,743 (2018: £nil) from Maplebeck Holdings Limited. The company owed Caunton Investments Limited and Tiger Buildings Limited £nil (2018: £2,078,504) and £1,000 (2018: £1,000) respectively.

Modular Walling Systems Limited is a related party by virtue of common directorship and beneficial interest. During the year the company paid expenses on behalf of Modular Walling Systems Limited amounting to £28,198 (2018: £17,997). A balance of £195,804 (2018: £167,606) was due to the company from Modular Walling Systems Limited.

22 Ultimate controlling party

The company is a wholly owned subsidiary of Caunton Holdings Limited, a company registered in England and Wales. The company's ultimate controlling party was D F Bingham throughout the current and preceding year.