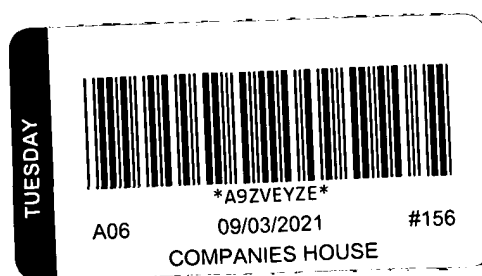


Registration number: 01329239

# Graham Engineering Limited

Annual Report and Financial Statements

for the Year Ended 31 August 2020



KM  
Chartered Accountants & Statutory Auditors  
1st Floor, Block C  
The Wharf  
Manchester Road  
Burnley  
Lancashire  
BB11 1JG

# **Graham Engineering Limited**

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# **Graham Engineering Limited**

## **Company Information**

<b>Directors</b>	Mrs S A Davall Mr S Fraser Mr F Kelly
<b>Registered office</b>	Edward Street Whitewalls Industrial Estate Nelson Lancashire BB9 8SY
<b>Solicitors</b>	Farleys Solicitors LLP Hurstwood Court Duttons Way Shadworth Business Park Blackburn Lancashire BB1 2QR
<b>Auditors</b>	KM Chartered Accountants & Statutory Auditors 1st Floor, Block C The Wharf Manchester Road Burnley Lancashire BB11 1JG

## **Graham Engineering Limited**

### **Strategic Report for the Year Ended 31 August 2020**

The directors present their strategic report for the year ended 31 August 2020.

#### **Principal activity**

The principal activities of the company are those of precision stainless steel fabricators, deep drawn press work, 5 axis machining, laser cutting, laser engraving and 5 axis welding, all to high quality standards supported by our in-house detail drawings office.

#### **Fair review of the business**

This financial year, certainly from March 2020 onwards has seen global events that have challenged many businesses. With the processes that we adopted early as the pandemic unfolded we managed to sustain key lines of production for both the nuclear waste containment sector and production of medical equipment. Our workforce contributed greatly to our ability to achieve continuity and as a result we have seen a much improved performance in this financial year.

The sales mix has remained stable throughout the year with substantial growth appearing in our newer sectors supported by the beginnings of another development in our nuclear market. This is seen through the overall increase in sales from last year of almost 11%. Our capital investment during the year has added to our machining capacity and capabilities with some of our existing pressing and fabrication equipment also being upgraded.

Overall profitability has returned to the higher levels seen in the years preceding 2019 and the mix in work continues to reflect a range of new and mature products. The release of the tenders from the nuclear sector, in particular, are still awaited eagerly and we remain confident that when released we are still well positioned to successfully compete.

Work has been continuing regarding achieving accreditation for the AS9100 standard but due to the ongoing impact of the pandemic and its effect on aerospace in particular this approval is now likely to occur later than originally planned.

#### **Key performance indicators (KPI's)**

The company's key financial and other performance indicators during the year were as follows:

<b>Years ended</b>	<b>31 August 2020</b>	<b>31 August 2019</b>	<b>31 August 2018</b>
Turnover	£16,000,981	£14,452,480	£17,118,885
Turnover growth	10.71%	(15.58%)	20.37%
Gross profit margin	19.66%	12.31%	26.38%
Profit before tax	£1,388,019	£145,704	£2,682,050

## **Graham Engineering Limited**

### **Strategic Report for the Year Ended 31 August 2020**

#### **Principal risks and uncertainties**

There are as always a number of risks and uncertainties which could have an impact on the company's performance, both in the forthcoming year and in the longer term.

Risk management is an intrinsic part of this business to ensure that we manage the needs of stakeholders and that strategic objectives are met.


In the unusually uncertain times created by the COVID-19 pandemic we believe that the company can be reasonably expected to continue in operation and meet its liabilities throughout the current emergency. Whilst we cannot predict the extent or duration of the pandemic nor its impact on the global economy we believe we are actively managing the risks to our resources, assets, relationships and not least of all staff on an ongoing, ever changing, basis.

We see no immediate threats or concerns raised by the exit from the European Union as this is a market in which we have little involvement and have no immediate intentions to enter. The core of our market remains in the UK nuclear sector and as such our industry is not as susceptible to the economic climate as other companies. Our main product is intrinsic in the protection of the environment and demand is very much determined by our customers processing abilities. We remain competitive in this area through high quality skills and flexibility.

The company's operations are exposed to a variety of financial risks that include the effects of changes to customer credit risk and supply chain risk. The company has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the company.

Policies are in place to limit the exposure to excess stock being carried forward from one year to the next. The company has no significant concentrations of credit risk. Receivable balances are monitored on an ongoing basis to ensure the company's bad debt exposure is not significant.

Approved by the Board on 2 February 2021 and signed on its behalf by:

  
.....  
Mr F Kelly  
Director

## **Graham Engineering Limited**

### **Directors' Report for the Year Ended 31 August 2020**

The directors present their report and the financial statements for the year ended 31 August 2020.

#### **Directors of the company**

The directors who held office during the year were as follows:

Mrs S A Davall (appointed 18 March 2020)

Mr S Fraser

Mrs P Graham (resigned 18 March 2020)

Mr F Kelly

Mr P Manley (resigned 30 June 2020)

#### **Results and dividends**

The results for the company are set out in the financial statements.

No dividends were paid during the year.

#### **Future developments**

The company has established a position of innovation and quality in our markets using new technology and reliability as its core values. Going forward, through investment, we intend to continue to use these keystones to underpin our future. The nuclear sector remains a key element of our business and we continue to work at strengthening our relationships here as we develop the extent of our involvement in the health, aerospace and security markets.

#### **Research and development**

The company will continue its policy of investment in research and development in order to retain a competitive position in the market.

#### **Risk policies**

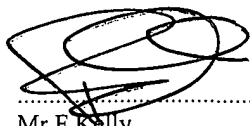
As required by schedule 7.6(1)(a) and 7.6(1)(b) of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 the following information required to be disclosed in the directors report has been disclosed in the Strategic Report on page 3:

- an indication of financial risk management objectives and policies:
- an indication of the different risks the company is exposed to.

#### **Disclosure of information to the auditors**

Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditors are unaware.

Approved by the Board on 2 February 2021 and signed on its behalf by:



.....  
Mr F Kelly  
Director

## **Graham Engineering Limited**

### **Statement of Directors' Responsibilities**

The directors acknowledge their responsibilities 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 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; and
- 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.

## **Graham Engineering Limited**

### **Independent Auditor's Report to the Members of Graham Engineering Limited**

#### **Opinion**

We have audited the financial statements of Graham Engineering Limited (the 'company') for the year ended 31 August 2020, which comprise the Profit and Loss Account, Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity, Statement of Cash Flows, 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 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 August 2020 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.

## **Graham Engineering Limited**

### **Independent Auditor's Report to the Members of Graham Engineering Limited**

#### **Opinion on other matter prescribed by the Companies Act 2006**

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

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

#### **Matters on which we are required to report by exception**

In the light of our 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 Statement of Directors' Responsibilities [set out on page 5], 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 [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

As part of an audit in accordance with ISAs (UK), we exercise professional judgement 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.

## **Graham Engineering Limited**

### **Independent Auditor's Report to the Members of Graham Engineering Limited**

- 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 company's 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the company audit. We remain solely responsible for our audit opinion.

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.

#### **Use of our report**

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



.....  
Mark Heaton FCCA (Senior Statutory Auditor)  
For and on behalf of KM, Statutory Auditor

1st Floor, Block C  
The Wharf  
Manchester Road  
Burnley  
Lancashire  
BB11 1JG

2 February 2021

# Graham Engineering Limited

## Profit and Loss Account for the Year Ended 31 August 2020

	Note	2020 £	2019 £
Turnover	3	16,000,981	14,452,480
Cost of sales		<u>(12,854,677)</u>	<u>(12,673,022)</u>
Gross profit		3,146,304	1,779,458
Distribution costs		(100,724)	(87,463)
Administrative expenses		(1,704,084)	(1,589,091)
Other operating income		<u>54,223</u>	<u>53,555</u>
Operating profit	4	1,395,719	156,459
Interest receivable and similar income	5	22,780	12,962
Interest payable and similar charges	6	<u>(30,480)</u>	<u>(23,717)</u>
Profit before tax		1,388,019	145,704
Tax on profit	10	<u>(256,848)</u>	<u>71,851</u>
Profit for the financial year		<u><u>1,131,171</u></u>	<u><u>217,555</u></u>

The above results were derived from continuing operations.

## **Graham Engineering Limited**

### **Statement of Comprehensive Income for the Year Ended 31 August 2020**

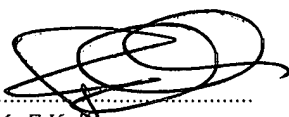
	Note	2020 £	2019 £
Profit for the year		1,131,171	217,555
Surplus/(deficit) on property revaluation		<u>20,841</u>	<u>20,843</u>
Total comprehensive income for the year		<u><u>1,152,012</u></u>	<u><u>238,398</u></u>

The notes on pages 14 to 24 form an integral part of these financial statements.

**Graham Engineering Limited**  
**(Registration number: 01329239)**  
**Balance Sheet as at 31 August 2020**

	Note	2020 £	2019 £
<b>Fixed assets</b>			
Tangible assets	11	7,828,125	7,685,618
<b>Current assets</b>			
Stocks	12	1,210,095	972,858
Debtors	13	4,851,995	5,349,453
Cash at bank and in hand		<u>1,956,102</u>	<u>487,249</u>
		8,018,192	6,809,560
<b>Creditors: Amounts falling due within one year</b>	14	<u>(2,750,720)</u>	<u>(2,413,064)</u>
<b>Net current assets</b>		<u>5,267,472</u>	<u>4,396,496</u>
<b>Total assets less current liabilities</b>		13,095,597	12,082,114
<b>Creditors: Amounts falling due after more than one year</b>	14	(362,547)	(556,895)
<b>Provisions for liabilities</b>	15	<u>(626,277)</u>	<u>(549,617)</u>
<b>Net assets</b>		<u>12,106,773</u>	<u>10,975,602</u>
<b>Capital and reserves</b>			
Called up share capital	17	100,000	100,000
Revaluation reserve		2,367,914	2,388,755
Profit and loss account		<u>9,638,859</u>	<u>8,486,847</u>
<b>Shareholders funds</b>		<u>12,106,773</u>	<u>10,975,602</u>

Approved and authorised by the Board on 2 February 2021 and signed on its behalf by:

  
 .....  
 Mr F Kelly  
 Director

# Graham Engineering Limited

## Statement of Changes in Equity for the Year Ended 31 August 2020

	Share capital £	Revaluation reserve £	Profit and loss account £	Total £
At 1 September 2019	100,000	2,388,755	8,486,847	10,975,602
Profit for the year	-	-	1,131,171	1,131,171
Other comprehensive income	-	(20,841)	20,841	-
Total comprehensive income	-	(20,841)	1,152,012	1,131,171
At 31 August 2020	100,000	2,367,914	9,638,859	12,106,773

	Share capital £	Revaluation reserve £	Profit and loss account £	Total £
At 1 September 2018	100,000	2,409,598	8,248,449	10,758,047
Profit for the year	-	-	217,555	217,555
Other comprehensive income	-	(20,843)	20,843	-
Total comprehensive income	-	(20,843)	238,398	217,555
At 31 August 2019	100,000	2,388,755	8,486,847	10,975,602

The notes on pages 14 to 24 form an integral part of these financial statements.

# Graham Engineering Limited

## Statement of Cash Flows for the Year Ended 31 August 2020

	Note	2020 £	2019 £
<b>Cash flows from operating activities</b>			
Profit for the year		1,131,171	217,555
Adjustments to cash flows from non-cash items			
Depreciation and amortisation	4	494,804	446,722
Profit on disposal of tangible assets		(7,491)	(7,212)
Finance income	5	(22,780)	(12,962)
Finance costs	6	30,480	23,717
Income tax expense	10	256,848	(71,851)
		1,883,032	595,969
Working capital adjustments			
(Increase)/decrease in stocks	12	(237,237)	1,022,793
Decrease/(increase) in trade debtors	13	556,372	(878,654)
Increase/(decrease) in trade creditors	14	282,658	(289,775)
Cash generated from operations		2,484,825	450,333
Income taxes paid	10	(171,750)	(526,233)
Net cash flow from operating activities		2,313,075	(75,900)
<b>Cash flows from investing activities</b>			
Interest received	5	22,780	12,962
Acquisitions of tangible assets		(660,861)	(1,255,693)
Proceeds from sale of tangible assets		31,040	10,239
Net cash flows from investing activities		(607,041)	(1,232,492)
<b>Cash flows from financing activities</b>			
Interest paid	6	(30,480)	(23,717)
Proceeds from bank borrowing draw downs		(39,175)	(126,831)
Repayment of other borrowing		(32,294)	80,994
Payments to finance lease creditors		(135,232)	486,424
Net cash flows from financing activities		(237,181)	416,870
Net increase/(decrease) in cash and cash equivalents		1,468,853	(891,522)
Cash and cash equivalents at 1 September		487,249	1,378,771
Cash and cash equivalents at 31 August		1,956,102	487,249

The notes on pages 14 to 24 form an integral part of these financial statements.

## **Graham Engineering Limited**

### **Notes to the Financial Statements for the Year Ended 31 August 2020**

#### **1 General information**

The company is a private company limited by share capital, incorporated in England.

The address of its registered office is:

Edward Street  
Whitewalls Industrial Estate  
Nelson  
Lancashire  
BB9 8SY

These financial statements were authorised for issue by the Board on 2 February 2021.

#### **2 Accounting policies**

##### **Summary of significant accounting policies and key accounting estimates**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

##### **Statement of compliance**

These financial statements were prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and the Companies Act 2006.

##### **Basis of preparation**

These financial statements have been prepared on a going concern basis using the historical cost convention except that as disclosed in the accounting policies certain items are shown at fair value.

##### **Judgements**

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.

##### **Revenue recognition**

Turnover represents amounts chargeable, net of value added tax, in respect of the sale of goods and services to customers. Turnover is recognised when products and services are invoiced, which corresponds to their delivery to customers. Turnover arises mostly in the UK. Payments on account in advance of work undertaken are excluded from turnover and shown as creditors.

##### **Corporation tax**

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

The current tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates taxable income.

## **Graham Engineering Limited**

### **Notes to the Financial Statements for the Year Ended 31 August 2020**

Deferred tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements and on unused tax losses or tax credits in the Company. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

The carrying amount of deferred tax assets are reviewed at each reporting date and a valuation allowance is set up against deferred tax assets so that the net carrying amount equals the highest amount that is more likely than not to be recovered based on current or future taxable profit.

#### **Tangible assets**

Tangible assets are stated at cost or valuation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of tangible assets includes directly attributable incremental costs incurred in their acquisition and installation.

#### **Depreciation**

Depreciation is charged so as to write off the cost of assets, other than land over their estimated useful lives, as follows:

<b>Asset class</b>	<b>Depreciation method and rate</b>
Freehold property	2% per annum on cost or valuation
Motor vehicles	25% per annum on cost
Plant and equipment	10% per annum on reducing balance

#### **Trade debtors**

Trade debtors are amounts due from customers for merchandise sold or services performed in the ordinary course of business.

Trade debtors are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for the impairment of trade debtors is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables.

#### **Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

#### **Stocks**

Stock of raw materials and consumables are valued at the lower of cost and net realisable value.

Work in progress is valued on the basis of cost plus an appropriate portion of fixed and variable overheads based on normal levels of activity. Profit on individual contracts is taken only at an appropriate stage in the contract when the lower margins earned to date and the proportion of that prudently forecast at completion can be reasonably ascertained. Provision is made for any foreseeable losses, where appropriate, taking a prudent view of future non-recoverable costs. Profit for the year includes the benefit of claims for recovery of additional costs incurred on contracts completed in prior years.

## **Graham Engineering Limited**

### **Notes to the Financial Statements for the Year Ended 31 August 2020**

#### **Trade creditors**

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if the company does not have an unconditional right, at the end of the reporting period, to defer settlement of the creditor for at least twelve months after the reporting date. If there is an unconditional right to defer settlement for at least twelve months after the reporting date, they are presented as non-current liabilities.

Trade creditors are recognised initially at the transaction price.

#### **Borrowings**

Loans and borrowings are initially recognised at the transaction price including transaction costs. Subsequently they are measured at amortised cost using the effective interest rate method. If an arrangement constitutes a finance transaction it is measured at present value.

#### **Leases**

Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit and loss on a straight-line basis over the period of the lease.

Assets acquired under finance leases are capitalised and depreciated over the expected life of the asset. Lease payments are apportioned between the finance charges and the reduction of the outstanding lease liability using the effective interest method.

Assets acquired under hire purchase agreements are capitalised and depreciated over the expected life of the asset. Hire purchase payments are apportioned between the finance charges and the reduction of the outstanding hire purchase liability using the effective interest method.

#### **Share capital**

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

#### **Defined contribution pension obligation**

A defined contribution plan is a pension plan under which fixed contributions are paid into a pension fund and the company has no legal or constructive obligation to pay further contributions even if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Contributions to defined contribution plans are recognised as employee benefit expense when they are due. If contribution payments exceed the contribution due for service, the excess is recognised as a prepayment.

#### **Financial instruments**

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as financial assets and financial liabilities.

### **3 Turnover**

The analysis of the company's turnover for the year from continuing operations is as follows:

	2020	2019
	£	£
Sale of goods	<u>16,000,981</u>	<u>14,452,480</u>

## Graham Engineering Limited

### Notes to the Financial Statements for the Year Ended 31 August 2020

#### 4 Operating profit

Arrived at after charging/(crediting)

	2020 £	2019 £
Depreciation of tangible fixed assets	494,804	446,722
Operating lease rentals - plant and machinery	79,571	47,877
Profit on disposal of tangible fixed assets	<u>(7,491)</u>	<u>(7,212)</u>

#### 5 Interest receivable and similar income

	2020 £	2019 £
Bank interest receivable	2,659	1,450
Other interest receivable	<u>20,121</u>	<u>11,512</u>
	<u>22,780</u>	<u>12,962</u>

#### 6 Interest payable and similar expenses

	2020 £	2019 £
Interest on bank overdrafts and borrowings	8,468	11,489
Interest on obligations under finance leases and hire purchase contracts	16,942	12,228
Interest expense on other finance liabilities	<u>5,070</u>	<u>-</u>
	<u>30,480</u>	<u>23,717</u>

#### 7 Staff costs

The aggregate payroll costs (including directors' remuneration) were as follows:

	2020 £	2019 £
Wages and salaries	5,404,450	5,463,355
Social security costs	533,203	541,855
Pension costs, defined contribution scheme	<u>277,250</u>	<u>187,224</u>
	<u>6,214,903</u>	<u>6,192,434</u>

The average number of persons employed by the company (including directors) during the year, analysed by category was as follows:

	2020 No.	2019 No.
Production	120	102
Administration and support	<u>76</u>	<u>72</u>
	<u>196</u>	<u>174</u>

# Graham Engineering Limited

## Notes to the Financial Statements for the Year Ended 31 August 2020

### 8 Directors' remuneration

The directors' remuneration for the year was as follows:

	2020 £	2019 £
Remuneration	288,798	353,808
Contributions paid to money purchase schemes	104,980	50,444
	<u>393,778</u>	<u>404,252</u>

During the year the number of directors who were receiving benefits and share incentives was as follows:

	2020 No.	2019 No.
Accruing benefits under money purchase pension scheme	<u>3</u>	<u>3</u>

In respect of the highest paid director:

	2020 £	2019 £
Remuneration	105,024	123,017
Company contributions to money purchase pension schemes	<u>40,608</u>	<u>18,828</u>

### 9 Auditors' remuneration

	2020 £	2019 £
Audit of the financial statements	<u>14,248</u>	<u>10,802</u>

## Graham Engineering Limited

### Notes to the Financial Statements for the Year Ended 31 August 2020

#### 10 Taxation

Tax charged/(credited) in the income statement

	2020 £	2019 £
<b>Current taxation</b>		
UK corporation tax	199,406	(64,841)
UK corporation tax adjustment to prior periods	<u>(19,218)</u>	<u>(114,584)</u>
	180,188	(179,425)
<b>Deferred taxation</b>		
Arising from origination and reversal of timing differences	<u>76,660</u>	<u>107,574</u>
Tax on profit	<u><u>256,848</u></u>	<u><u>(71,851)</u></u>

The tax on profit before tax for the year is lower than the standard rate of corporation tax in the UK (2019 - lower than the standard rate of corporation tax in the UK) of 19% (2019 - 19%).

The differences are reconciled below:

	2020 £	2019 £
Profit before tax	<u>1,388,019</u>	<u>145,704</u>
Corporation tax at standard rate	263,724	27,684
Effect of expense not deductible in determining taxable profit	333	3,088
Deferred tax credit from unrecognised temporary difference from a prior period	(19,218)	(114,584)
Tax increase from effect of capital allowances and depreciation	<u>12,009</u>	<u>11,961</u>
Total tax charge/(credit)	<u><u>256,848</u></u>	<u><u>(71,851)</u></u>

No provision is required for deferred tax on revaluation gains, as in the most recent revaluation undertaken on 31 August 2013, there was a revaluation deficit amounting to £75,390.

## Graham Engineering Limited

### Notes to the Financial Statements for the Year Ended 31 August 2020

#### Deferred tax

Deferred tax liabilities

	Liability £
<b>2020</b>	
Difference between accumulated depreciation and capital allowances	<u>626,277</u>
<b>2019</b>	
Difference between accumulated depreciation and capital allowances	<u>549,617</u>

#### 11 Tangible assets

	Freehold land and buildings £	Motor vehicles £	Plant and machinery £	Total £
<b>Cost or valuation</b>				
At 1 September 2019	4,251,240	113,236	9,063,797	13,428,273
Additions	-	-	660,861	660,861
Disposals	-	-	(35,250)	(35,250)
At 31 August 2020	<u>4,251,240</u>	<u>113,236</u>	<u>9,689,408</u>	<u>14,053,884</u>
<b>Depreciation</b>				
At 1 September 2019	397,795	50,491	5,294,369	5,742,655
Charge for the year	63,625	21,491	409,689	494,805
Eliminated on disposal	-	-	(11,701)	(11,701)
At 31 August 2020	<u>461,420</u>	<u>71,982</u>	<u>5,692,357</u>	<u>6,225,759</u>
<b>Net book value</b>				
At 31 August 2020	<u>3,789,820</u>	<u>41,254</u>	<u>3,997,051</u>	<u>7,828,125</u>
At 31 August 2019	<u>3,853,445</u>	<u>62,745</u>	<u>3,769,428</u>	<u>7,685,618</u>

Included within the net book value of land and buildings above is £3,789,820 (2019 - £3,853,445) in respect of freehold land and buildings.

#### Revaluation

The fair value of the company's freehold land and buildings was revalued on 31 August 2013 by an independent valuer. Had this class of asset been measured on a historical cost basis, the carrying amount would have been £1,421,906 (2019 - £1,464,688).

## Graham Engineering Limited

### Notes to the Financial Statements for the Year Ended 31 August 2020

#### Assets held under finance leases and hire purchase contracts

The net carrying amount of tangible assets includes the following amounts in respect of assets held under finance leases and hire purchase contracts:

	2020 £	2019 £
Plant and machinery	500,579	610,164
Motor vehicles	36,813	62,745
	<u>537,392</u>	<u>672,909</u>

#### 12 Stocks

	2020 £	2019 £
Raw materials and consumables	131,235	141,814
Work in progress	2,712,985	1,839,780
Long term contracts - applicable payments on account	<u>(1,634,125)</u>	<u>(1,008,736)</u>
	<u>1,210,095</u>	<u>972,858</u>

#### 13 Debtors

	Note	2020 £	2019 £
Trade debtors		1,981,002	2,697,577
Other debtors		1,892,508	1,752,733
Prepayments		349,933	329,505
Corporation tax	10	<u>628,552</u>	<u>569,638</u>
		<u>4,851,995</u>	<u>5,349,453</u>

#### 14 Creditors

	Note	2020 £	2019 £
<b>Due within one year</b>			
Loans and borrowings	18	194,756	207,110
Trade creditors		1,109,395	1,132,711
Social security and other taxes		1,047,535	768,934
Outstanding defined contribution pension costs		32,825	24,729
Accrued expenses		127,107	107,830
Corporation tax	10	<u>239,102</u>	<u>171,750</u>
		<u>2,750,720</u>	<u>2,413,064</u>
<b>Due after one year</b>			
Loans and borrowings	18	<u>362,547</u>	<u>556,895</u>

## Graham Engineering Limited

### Notes to the Financial Statements for the Year Ended 31 August 2020

#### 15 Provisions for liabilities

	Deferred tax £	Total £
At 1 September 2019	549,617	549,617
Increase/(decrease) in existing provisions	<u>76,660</u>	<u>76,660</u>
At 31 August 2020	<u><u>626,277</u></u>	<u><u>626,277</u></u>

#### 16 Pension and other schemes

##### Defined contribution pension scheme

The company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the company to the scheme and amounted to £277,250 (2019 - £187,224).

Contributions totalling £32,825 (2019 - £24,729) were payable to the scheme at the end of the year and are included in creditors.

#### 17 Share capital

##### Allotted, called up and fully paid shares

	2020	£	2019	£
	No.		No.	
Ordinary shares of £1 each	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>

#### 18 Loans and borrowings

	2020 £	2019 £
<b>Non-current loans and borrowings</b>		
Bank borrowings	48,996	92,069
HP and finance lease liabilities	285,962	406,650
Other borrowings	<u>27,589</u>	<u>58,176</u>
	<u><u>362,547</u></u>	<u><u>556,895</u></u>

	2020 £	2019 £
<b>Current loans and borrowings</b>		
Bank borrowings	44,362	40,464
HP and finance lease liabilities	120,671	135,215
Other borrowings	<u>29,723</u>	<u>31,431</u>
	<u><u>194,756</u></u>	<u><u>207,110</u></u>

## Graham Engineering Limited

### Notes to the Financial Statements for the Year Ended 31 August 2020

#### Bank borrowings

Bank loans are repayable by equal monthly instalments with a nominal interest rate of 5.44%. The carrying amount at year end is £93,358 (2019 - £132,533).

Bank loans and overdrafts are secured by a mortgage on certain freehold properties and a fixed and floating charge over all current and future assets of the company.

#### Other borrowings

Other loans are repayable by equal monthly instalments with a nominal interest rate of 6.41%. The carrying amount at year end is £55,897 (2019 - £84,591).

### 19 Obligations under leases and hire purchase contracts

#### Finance leases

The total of future minimum lease payments is as follows:

	2020 £	2019 £
Not later than one year	120,671	135,216
Later than one year and not later than five years	285,962	406,650
	<u>406,633</u>	<u>541,866</u>

#### Operating leases

The total of future minimum lease payments is as follows:

	2020 £	2019 £
Not later than one year	16,328	14,524
Later than one year and not later than five years	31,219	5,788
	<u>47,547</u>	<u>20,312</u>

The amount of non-cancellable operating lease payments recognised as an expense during the year was £24,763 (2019 - £15,856).

### 20 Contingent liabilities

During the financial year ended 31 August 2018 a fatal accident occurred in the factory. The HSE have investigated the incident. At the date of approval of the financial statements, the outcome of the enquiry has not been completed.

# Graham Engineering Limited

## Notes to the Financial Statements for the Year Ended 31 August 2020

### 21 Related party transactions

#### Key management compensation

	2020 £	2019 £
Salaries and other short term employee benefits	<u>393,778</u>	<u>404,252</u>

#### Transactions with directors

	At 1 September 2019 £	Advances to directors £	At 31 August 2020 £	
<b>2020</b>				
<b>Executors of Mr C T Graham deceased</b>				
Loans from the company	<u>1,024,759</u>	<u>-</u>	<u>1,024,759</u>	
<b>Mrs P Graham</b>				
Loans from the company	<u>727,974</u>	<u>17,633</u>	<u>745,607</u>	
	At 1 September 2018 £	Advances to directors £	Repayments by director £	At 31 August 2019 £
<b>2019</b>				
<b>Executors of Mr C T Graham deceased</b>				
Loans from the company	<u>946,071</u>	<u>78,688</u>	<u>-</u>	<u>1,024,759</u>
<b>Mrs P Graham</b>				
Loans from the company	<u>78,688</u>	<u>727,974</u>	<u>(78,688)</u>	<u>727,974</u>

#### Summary of transactions with other related parties

CT Graham Discretionary Trust  
(The director Mrs S A Davall is a trustee)

#### Loans to related parties

	Other related parties £	Total £
<b>2020</b>		
Advanced	120,000	120,000
Interest transactions	<u>2,142</u>	<u>2,142</u>
At end of period	<u>122,142</u>	<u>122,142</u>

### 22 Controlling party

The company is controlled by CT Graham Discretionary Trust who own 84% of the issued share capital. The ultimate controlling party is the Trustees of CT Graham Discretionary Trust being P Graham, S A Davall, C M Graham-Hodson and K L Sparkes.