

**LEDWOOD MECHANICAL ENGINEERING LIMITED**  
**STRATEGIC REPORT, DIRECTORS' REPORT AND**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

Bevan Buckland LLP  
Chartered Accountants  
And Statutory Auditors  
Ground Floor Cardigan House  
Castle Court  
Swansea Enterprise Park  
Swansea  
SA7 9LA

**CONTENTS OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020**

	<b>Page</b>
<b>Company Information</b>	1
<b>Strategic Report</b>	2
<b>Directors' Report</b>	3
<b>Report of the Independent Auditors</b>	4
<b>Income Statement</b>	8
<b>Other Comprehensive Income</b>	9
<b>Balance Sheet</b>	10
<b>Statement of Changes in Equity</b>	11
<b>Notes to the Financial Statements</b>	12

**LEDWOOD MECHANICAL ENGINEERING LIMITED**

**COMPANY INFORMATION  
FOR THE YEAR ENDED 31 DECEMBER 2020**

**DIRECTORS:**

A T Davies  
C Ferguson  
N D Revell  
L N Revell

**REGISTERED OFFICE:**

Units 9 - 11  
Waterloo Industrial Estate  
Pembroke Dock  
Pembrokeshire  
SA72 4RR

**REGISTERED NUMBER:**

04045742 (England and Wales)

**INDEPENDENT AUDITORS:**

Bevan Buckland LLP  
Chartered Accountants  
And Statutory Auditors  
Ground Floor          Cardigan House  
Castle Court  
Swansea Enterprise Park  
Swansea  
SA7 9LA

**STRATEGIC REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2020**

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

**BUSINESS REVIEW AND FUTURE DEVELOPMENTS**

The results of the group for the year ended 31 December 2020 saw decrease in activity which translated into decreased revenue and profitability compared to the prior period due to the impact of the Covid pandemic and the release of provisions no longer required in the 2019 accounts.

The directors expect the group to operate at a higher level of activity in 2021 due to the economic effect of Covid-19 being reduced and an increase in demand for energy projects. In 2021 activity is expected return to normal levels with improved profitability.

**Key Performance Indicators**

The directors consider that the key financial performance indicators are those that communicate the financial performance and strength of the company as a whole, these being turnover, gross profit, operating profit and profit before taxation as set out in the profit and loss account.

**PRINCIPAL RISKS AND UNCERTAINTIES**

The principal risks and uncertainties faced by the group relate to the level of demand for its services. The company looks to reduce this risk by diversifying into new markets, longer term contracts and phasing of project works.

The group's operations expose it to a variety of financial risks that include the effects of changes in interest rates. The company has in place a risk management programme that seeks to manage the financial exposures of the company.

**EMPLOYMENT POLICIES AND EMPLOYEE INVOLVEMENT**

The company has a culture of continuous improvement through investment in people at all levels within the company. The company is committed to pursuing equality and diversity in all its employment activities including recruitment, training, career development and promotion and ensuring there is no bias or discrimination in the treatment of people.

**Environment**

The company is committed to minimising our own environmental impacts through reducing energy consumption, emissions, water use and waste. We help to provide improvements for the environment by providing products and services that improve the sustainability of our end users' operations, in particular reducing energy and water use, lowering carbon emissions and reducing waste

**ON BEHALF OF THE BOARD:**

N D Revell - Director

29 September 2021

**DIRECTORS' REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2020**

The directors present their report with the financial statements of the company for the year ended 31 December 2020.

**DIVIDENDS**

No dividends will be distributed for the year ended 31 December 2020.

**DIRECTORS**

The directors shown below have held office during the whole of the period from 1 January 2020 to the date of this report.

A T Davies  
C Ferguson  
N D Revell  
L N Revell

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS**

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

**AUDITORS**

The auditors, Bevan Buckland LLP, will be proposed for re-appointment at the forthcoming Annual General Meeting.

**ON BEHALF OF THE BOARD:**

N D Revell - Director

29 September 2021

## REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF LEDWOOD MECHANICAL ENGINEERING LIMITED

### Opinion

We have audited the financial statements of Ledwood Mechanical Engineering Limited (the 'company') for the year ended 31 December 2020 which comprise the Income Statement, Other Comprehensive Income, Balance Sheet, 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 Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 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 Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Conclusions relating to going concern

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

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

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

### Other information

The directors are responsible for the other information. The other information comprises the information in the Strategic Report and the Directors' Report, but does not include the financial statements and our Report of the Auditors thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the Strategic Report and the 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.

## REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF LEDWOOD MECHANICAL 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 or 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 three, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

## **REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF LEDWOOD MECHANICAL ENGINEERING LIMITED**

### **Auditors' responsibilities for the audit of the financial statements**

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

### **Extent to which the audit was considered capable of detecting irregularities, including fraud**

We identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, and then, design and perform audit procedures responsive to those risks, including obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion.

We discussed our audit independence complying with the Revised Ethical Standard 2019 with the engagement team members whilst planning the audit and continually monitored our independence throughout the process.

### **Identifying and assessing potential risks related to irregularities.**

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, our procedures included the following:

- enquiring of management, including obtaining and reviewing supporting documentation, concerning the Company's policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
  - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations;
- discussing among the engagement team how and where fraud might occur in the Financial Statements and any potential indicators of fraud. As part of this discussion, we identified potential for fraud in the following areas:
  - Assumptions used when valuing amounts recoverable on contract
- obtaining an understanding of the legal and regulatory frameworks that the Company operates in, focusing on those laws and regulations that had a direct effect on the Financial Statements or that had a fundamental effect on the operations of the Company. The key laws and regulations we considered in this context included the UK Companies Act and relevant tax legislation.

### **Audit response to risks identified**

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations;
- enquiring of management concerning actual and potential litigation and claims; performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance and reviewing correspondence with HMRC; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments;
- assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and
- evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

## **REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF LEDWOOD MECHANICAL ENGINEERING LIMITED**

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

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 Report of the Auditors.

### **Use of our report**

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

Henry Lloyd-Davies (Senior Statutory Auditor)  
for and on behalf of Bevan Buckland LLP  
Chartered Accountants  
And Statutory Auditors  
Ground Floor          Cardigan House  
Castle Court  
Swansea Enterprise Park  
Swansea  
SA7 9LA

29 September 2021

**INCOME STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2020**

	Notes	2020 £	2019 £
<b>TURNOVER</b>	3	19,768,038	26,757,302
Cost of sales		<u>(18,885,203)</u>	<u>(22,615,000)</u>
<b>GROSS PROFIT</b>		882,835	4,142,302
Administrative expenses		<u>(1,666,253)</u>	<u>(2,458,698)</u>
		(783,418)	1,683,604
Other operating income	4	<u>958,676</u>	-
<b>OPERATING PROFIT</b>	6	175,258	1,683,604
Interest receivable and similar income		<u>880</u>	<u>2,550</u>
<b>PROFIT BEFORE TAXATION</b>		176,138	1,686,154
Tax on profit	7	<u>37,178</u>	<u>(272,992)</u>
<b>PROFIT FOR THE FINANCIAL YEAR</b>		<u>213,316</u>	<u>1,413,162</u>

OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2020

Notes	2020 £	2019 £
PROFIT FOR THE YEAR	213,316	1,413,162
OTHER COMPREHENSIVE INCOME	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>213,316</u>	<u>1,413,162</u>

**BALANCE SHEET**  
**31 DECEMBER 2020**

	Notes	2020 £	£	2019 £	£
<b>FIXED ASSETS</b>					
Tangible assets	8		1,226,827		1,256,490
<b>CURRENT ASSETS</b>					
Debtors	9	10,680,108		11,660,407	
Cash at bank and in hand	10	<u>2,292,354</u>		<u>1,128,838</u>	
		12,972,462		12,789,245	
<b>CREDITORS</b>					
Amounts falling due within one year	11	<u>3,691,815</u>		<u>3,746,124</u>	
<b>NET CURRENT ASSETS</b>			<u>9,280,647</u>		<u>9,043,121</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			10,507,474		10,299,611
<b>CREDITORS</b>					
Amounts falling due after more than one year	12		(72,335)		(78,967)
<b>PROVISIONS FOR LIABILITIES</b>	14		(1,830)		(651)
<b>NET ASSETS</b>			<u>10,433,309</u>		<u>10,219,993</u>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	15		93,500		93,500
Share premium	16		19,500		19,500
Revaluation reserve	16		960,717		960,717
Capital redemption reserve	16		200,000		200,000
Retained earnings	16		<u>9,159,592</u>		<u>8,946,276</u>
<b>SHAREHOLDERS' FUNDS</b>			<u>10,433,309</u>		<u>10,219,993</u>

The financial statements were approved by the Board of Directors and authorised for issue on 29 September 2021 and were signed on its behalf by:

N D Revell - Director

STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2020

	Called up share capital £	Retained earnings £	Share premium £
<b>Balance at 1 January 2019</b>	93,500	7,533,114	19,500
<b>Changes in equity</b>			
Total comprehensive income	-	1,413,162	-
<b>Balance at 31 December 2019</b>	<u>93,500</u>	<u>8,946,276</u>	<u>19,500</u>
<b>Changes in equity</b>			
Total comprehensive income	-	213,316	-
<b>Balance at 31 December 2020</b>	<u>93,500</u>	<u>9,159,592</u>	<u>19,500</u>
	Revaluation reserve £	Capital redemption reserve £	Total equity £
<b>Balance at 1 January 2019</b>	960,717	200,000	8,806,831
<b>Changes in equity</b>			
Total comprehensive income	-	-	1,413,162
<b>Balance at 31 December 2019</b>	<u>960,717</u>	<u>200,000</u>	<u>10,219,993</u>
<b>Changes in equity</b>			
Total comprehensive income	-	-	213,316
<b>Balance at 31 December 2020</b>	<u>960,717</u>	<u>200,000</u>	<u>10,433,309</u>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020**

**1. STATUTORY INFORMATION**

Ledwood Mechanical Engineering Limited is a private company, limited by shares, registered in England and Wales. The company's registered number and registered office address can be found on the Company Information page.

**2. ACCOUNTING POLICIES**

**Basis of preparing the financial statements**

These financial statements have been prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Companies Act 2006. The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain assets.

**Financial Reporting Standard 102 - reduced disclosure exemptions**

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirement of paragraph 3.17(d);
- the requirement of paragraph 33.7.

**Significant judgements and estimates**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be appropriate and reasonable in the circumstances.

a) Critical judgements in applying the company's accounting policies

The directors do not consider there to be any critical accounting judgements to the financial statements.

b) Key accounting estimates and assumptions

i) Useful economic lives of tangible assets

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See note 7 for the carrying amount of the property plant and equipment, and note 2 for the useful economic lives for each class of assets.

ii) Long term contracts

Where the Company enters into long term contracts, revenue is recognised on the percentage of completion basis. Under the percentage of completion method, the Company makes an estimate of the percentage to complete for a project and recognises the proportion of revenue and profit accordingly. In forecasting the profitability of contracts, management makes best estimates of the impact of customer disputes and claims brought by contractors. Any expected losses on long term contracts are recognised immediately and are written off to the Statement of comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2020

2. ACCOUNTING POLICIES - continued

**Revenue recognition**

Revenue, which excludes value added tax and trade discounts is the fair value of the consideration received and receivable and represents the invoiced value of goods and services supplied and the value of contract work undertaken during the year.

Long term contract balances are assessed on a contract by contract basis and are reflected in the Statement of Comprehensive Income as contract activity progresses. Any expected losses on long term contract balances are recognised immediately and are written off to the profit and loss account. Where it is considered that the outcome of a long term contract can be assessed with reasonable certainty before its conclusion, the prudently calculated attributable profit is recognised in the profit and loss account as the difference between reported turnover and related costs for that contract.

**Tangible fixed assets**

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Company adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the Company. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to the Statement of Comprehensive Income during the period in which they are incurred.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method. The estimated useful lives range as follows:

The estimated useful lives range as follows:

%

Freehold buildings 4

Plant, machinery and equipment 20 - 33.33

Fixtures and fittings 20

Leasehold land and buildings are depreciated over 25 years or over the remaining term of the lease, whichever is the shorter. Freehold land is not depreciated. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'administrative expenses' in the Statement of Comprehensive Income.

**Government grants**

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

A grant that specifies performance conditions is recognised in income when the performance conditions are met. Where a grant does not specify performance conditions it is recognised in income when the proceeds are received or receivable. A grant received before the recognition criteria are satisfied is recognised as a liability.

NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2020

2. **ACCOUNTING POLICIES - continued**

**Taxation**

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

Current or deferred taxation assets and liabilities are not discounted.

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

**Deferred tax**

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

Timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements. Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the year end and that are expected to apply to the reversal of the timing difference.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

**Research and development**

Expenditure on research and development is written off in the year in which it is incurred.

**Foreign currencies**

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

**Leased assets**

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

At inception the company assesses agreements that transfer the right to use assets. The assessment considers whether the arrangement is, or contains, a lease based on the substance of the arrangement.

**Operating leased assets**

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Payments under operating leases are charged to the profit and loss account on a straight-line basis over the period of the lease.

**Pension costs and other post-retirement benefits**

The company operates a defined contribution pension scheme. Contributions payable to the company's pension scheme are charged to profit or loss in the period to which they relate.

NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2020

2. ACCOUNTING POLICIES - continued

**Debtors**

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

**Cash**

Cash includes cash in hand and at bank, along with restricted cash balances held in escrow in support of contractual commitments. Bank overdrafts, when applicable, are shown within borrowings in current liabilities.

**Creditors**

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

**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.

**Provisions for liabilities**

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the profit and loss account in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

**Distribution to equity holders**

Dividends and other distributions to the company's shareholders are recognised as a liability in the financial statements in the period in which the dividends and other distributions are approved by the shareholders. These amounts are recognised in the statement of changes in equity.

**Related party transactions**

The company discloses transactions with related parties which are not wholly owned within the same group. It does not disclose transactions with members of the same group that are wholly owned.

**Financial Instruments**

The Company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable, loans from banks and other third parties and loans to related parties.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration, expected to be paid or received. However if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an outright short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of Comprehensive Income.

NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2020

2. **ACCOUNTING POLICIES - continued**

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

Financial assets and liabilities are offset and the net amount reported in the Balance Sheet when there is an 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.

3. **TURNOVER**

The turnover and profit before taxation are attributable to the one principal activity of the company.

An analysis of turnover by geographical market is given below:

	2020 £	2019 £
United Kingdom	19,680,925	26,562,302
Europe	87,113	195,000
	<u>19,768,038</u>	<u>26,757,302</u>

4. **OTHER OPERATING INCOME**

During the year the following government support was received during the ongoing pandemic

<b>Grant received</b>	<b>£</b>
Jobs Retention Scheme	908,236

5. **EMPLOYEES AND DIRECTORS**

	2020 £	2019 £
Wages and salaries	11,372,562	9,782,855
Social security costs	1,203,753	962,125
Other pension costs	229,349	207,284
	<u>12,805,664</u>	<u>10,952,264</u>

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

	2020	2019
Production	193	163
Admin	<u>32</u>	<u>33</u>
	<u>225</u>	<u>196</u>

	2020 £	2019 £
Directors' remuneration	529,727	559,000
Directors' pension contributions to money purchase schemes	<u>9,818</u>	<u>22,000</u>

NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2020

5. **EMPLOYEES AND DIRECTORS - continued**

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

Money purchase schemes	<u>3</u>	<u>3</u>
------------------------	----------	----------

Information regarding the highest paid director is as follows:

	2020	2019
	£	£
Emoluments etc	320,000	338,000
Pension contributions to money purchase schemes	<u>1,314</u>	<u>12,000</u>

**Key management compensation**

Key management personnel are those who have authority and responsibility for planning, directing and controlling the activities of the Company. The board consider that only the Directors of the Company fulfil this definition. The total compensation paid to the Directors is set out above.

6. **OPERATING PROFIT**

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

	2020	2019
	£	£
Hire of plant and machinery	1,096,931	1,439,869
Other operating leases	40,825	55,645
Depreciation - owned assets	180,038	182,828
Profit on disposal of fixed assets	(781)	(6,150)
Foreign exchange differences	15,927	17,960
Development expenditure	206,610	268,000
Auditor's remuneration - audit fees	25,000	24,000
Auditor's remuneration - non audit fees	4,500	4,000
Release of deferred grants	<u>(15,000)</u>	<u>(15,000)</u>

7. **TAXATION**

**Analysis of the tax (credit)/charge**

The tax (credit)/charge on the profit for the year was as follows:

	2020	2019
	£	£
Current tax:		
UK corporation tax	(27,898)	272,341
Deferred tax	<u>(9,280)</u>	<u>651</u>
Tax on profit	<u>(37,178)</u>	<u>272,992</u>

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

**7. TAXATION - continued****Reconciliation of total tax (credit)/charge included in profit and loss**

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

	2020 £	2019 £
Profit before tax	<u>176,138</u>	<u>1,686,154</u>
Profit multiplied by the standard rate of corporation tax in the UK of 19% (2019 - 19%)	33,466	320,369
Effects of:		
Expenses not deductible for tax purposes	55,010	60,271
Income not taxable for tax purposes	(90,289)	(117,224)
Adjustments to tax charge in respect of previous periods	(35,365)	29,562
Effects of group relief / other reliefs	-	(19,986)
Total tax (credit)/charge	<u>(37,178)</u>	<u>272,992</u>

**8. TANGIBLE FIXED ASSETS**

	Freehold property £	Long leasehold £	Plant and machinery £	Fixtures and fittings £	Totals £
<b>COST OR VALUATION</b>					
At 1 January 2020	1,549,497	211,000	1,972,850	260,521	3,993,868
Additions	-	-	163,011	-	163,011
Disposals	-	-	(59,912)	-	(59,912)
At 31 December 2020	<u>1,549,497</u>	<u>211,000</u>	<u>2,075,949</u>	<u>260,521</u>	<u>4,096,967</u>
<b>DEPRECIATION</b>					
At 1 January 2020	481,057	211,000	1,784,800	260,521	2,737,378
Charge for year	61,292	-	118,746	-	180,038
Eliminated on disposal	-	-	(47,276)	-	(47,276)
At 31 December 2020	<u>542,349</u>	<u>211,000</u>	<u>1,856,270</u>	<u>260,521</u>	<u>2,870,140</u>
<b>NET BOOK VALUE</b>					
At 31 December 2020	<u>1,007,148</u>	<u>-</u>	<u>219,679</u>	<u>-</u>	<u>1,226,827</u>
At 31 December 2019	<u>1,068,440</u>	<u>-</u>	<u>188,050</u>	<u>-</u>	<u>1,256,490</u>

The company took the exemption available under FRS102 and has elected to treat the latest valuation of its freehold property as its deemed cost. The details of the latest valuation are set out below.

The company's freehold property was valued at 15 May 2012 by an external valuer, DTZ Debenham Tie Leung Limited, Chartered Surveyors. The valuation was in accordance with the RICS Appraisal and Valuation Standards. The property has been valued on the basis of its existing use value.

NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2020

8. TANGIBLE FIXED ASSETS - continued

Cost or valuation at 31 December 2020 is represented by:

	Freehold property £	Long leasehold £	Plant and machinery £	Fixtures and fittings £	Totals £
Valuation in 2009	805,497	-	-	-	805,497
Cost	<u>744,000</u>	<u>211,000</u>	<u>2,075,949</u>	<u>260,521</u>	<u>3,291,470</u>
	<u>1,549,497</u>	<u>211,000</u>	<u>2,075,949</u>	<u>260,521</u>	<u>4,096,967</u>

If Freehold properties had not been revalued they would have been included at the following historical cost:

	2020 £	2019 £
Cost	<u>744,000</u>	<u>744,000</u>
Aggregate depreciation	<u>437,000</u>	<u>407,600</u>
Value of land in freehold land and buildings	<u>17,000</u>	<u>17,000</u>

Freehold properties were valued on existing use value basis on 15 May 2012 by DTZ Debenham Tie Leung Limited .

9. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2020 £	2019 £
Trade debtors	1,523,082	2,405,160
Amounts owed by group undertakings	7,919,243	5,761,963
Amounts recoverable on contract	1,147,760	3,415,021
Other debtors	2,496	37,514
R&D claim debtor	31,832	-
Tax	10,459	-
Prepayments and accrued income	45,236	40,749
	<u>10,680,108</u>	<u>11,660,407</u>

10. CASH AT BANK AND IN HAND

Cash at bank and in hand includes £807,219 (2019: £269,584) of restricted cash balances.

NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2020

11.	<b>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>	2020 £	2019 £
	Payments on account	414,719	-
	Trade creditors	1,274,065	1,519,600
	Tax	-	206,258
	Social security and other taxes	366,241	277,740
	VAT	1,243,801	482,542
	Other creditors	67,848	202,110
	Accruals and deferred income	6,000	10,509
	Accrued expenses	319,141	1,047,365
		<u>3,691,815</u>	<u>3,746,124</u>
12.	<b>CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR</b>	2020 £	2019 £
	Accruals and deferred income	<u>72,335</u>	<u>78,967</u>
13.	<b>LEASING AGREEMENTS</b>		
	Minimum lease payments under non-cancellable operating leases fall due as follows:		
		2020 £	2019 £
	Within one year	112,000	112,000
	Between one and five years	448,000	448,000
	In more than five years	3,923,000	4,035,000
		<u>4,483,000</u>	<u>4,595,000</u>
14.	<b>PROVISIONS FOR LIABILITIES</b>	2020 £	2019 £
	Deferred tax	<u>1,830</u>	<u>651</u>
			Deferred tax £
	Balance at 1 January 2020		651
	Charge to Income Statement during year		1,179
	Balance at 31 December 2020		<u>1,830</u>

NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2020

## 15. CALLED UP SHARE CAPITAL

Authorised:	2020	2019
£	£	£
250,000 (2019: 250,000) 'A' ordinary shares of 10p each	25,000	25,000
550,000 (2019: 550,000) 'B' ordinary shares of 10p each	55,000	55,000
200,000 (2019: 200,000) 'C' ordinary shares of 10p each	20,000	20,000
200,000 (2019: 200,000) 'A' preference shares of £1 each	200,000	200,000
	<u>300,000</u>	<u>300,000</u>
<b>Alloted, called up and fully paid</b>	<b>2020</b>	<b>2019</b>
<b>Equity shares</b>	<b>£</b>	<b>£</b>
250,000 (2019: 250,000) 'A' ordinary shares of 10p each	25,000	25,000
550,000 (2019: 550,000) 'B' ordinary shares of 10p each	55,000	55,000
135,000 (2019: 135,000) 'C' ordinary shares of 10p each	13,500	13,500
	<u>93,500</u>	<u>93,500</u>

Dividends will not be paid to the holders of "B" or "C" ordinary shares without the consent of the holders of the "A" ordinary shares. The holders of all ordinary shares rank pari passu in a winding up of the company.

## 16. RESERVES

	Retained earnings	Share premium	Revaluation reserve	Capital redemption reserve	Totals
	£	£	£	£	£
At 1 January 2020	8,946,276	19,500	960,717	200,000	10,126,493
Profit for the year	213,316				213,316
At 31 December 2020	<u>9,159,592</u>	<u>19,500</u>	<u>960,717</u>	<u>200,000</u>	<u>10,339,809</u>

A summary of reserves held is shown below:

**Share premium account**

The balance on this reserve represents the accumulated premiums on share issues.

**Revaluation reserve**

The balance on this reserve represents accumulated revaluation surpluses.

**Capital redemption reserve**

The balance on this reserve represents reserves arising on the redemption of redeemable share capital.

**Profit and loss account**

The profit and loss account represents accumulated profits, losses and distributions of the company.

## 17. PENSION COMMITMENTS

The Company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to £219,531 (2019: £185,000).

NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2020

18. CONTINGENT LIABILITIES

		2020	2019
	£		
Bank guarantees and performance bonds	£	<u>1,321,000</u>	<u>1,321,000</u>

19. RELATED PARTY DISCLOSURES

During the year the following related party transactions took place:

- £247,976 (2019: £467,883) was paid to Ledwood Protective Coatings Limited for painting and blasting services.

20. ULTIMATE CONTROLLING PARTY

The directors regard Ledwood Holdings Limited, a company incorporated in England and Wales, as being the ultimate parent company by virtue of its effective interest in 99% of the company's share capital.

Ledwood Holdings Limited is the parent undertaking of the largest and smallest group of undertakings to consolidate these financial statements at 31st December. The consolidated financial statements of Ledwood Holdings Limited can be obtained from Waterloo Industrial Estate, Pembroke Dock, Pembrokeshire, SA72 4RR. N Revell is considered to be the controlling party due to his controlling interest in Ledwood Holdings Limited.

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