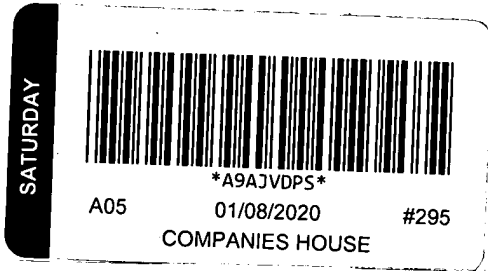


CONSARC ENGINEERING LIMITED

ANNUAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019



CONSARC ENGINEERING LIMITED

COMPANY INFORMATION

Directors	B M Raffner J H Anderson J Narayan A H Kay H Rintoul
Company secretary	H Rintoul
Registered number	SC019918
Registered office	9 Woodside Eurocentral Holytown Lanarkshire ML1 4XL
Independent auditor	Cooper Parry Group Limited Chartered Accountants & Statutory Auditor Sky View Argosy Road East Midlands Airport Castle Donington Derby DE74 2SA

CONSARC ENGINEERING LIMITED

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CONSARC ENGINEERING LIMITED
STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019

Introduction

The directors are pleased to report that the company has had a very successful performance during the 2019 financial year.

Business review

2019 was a record year for the company both in terms of sales turnover and operating profit. The aerospace industry remains very buoyant and the company has been successful in obtaining a number of orders from this sector. This includes multi furnace projects that are spread over the period of 2018/19/20. Both turnover and profitability were above budget.

Principal risks and uncertainties

The principal risks and uncertainties facing the company are:

- The risks associated with buying and selling in foreign currencies – the company forward purchases currency for future commitments, where appropriate;
- Stock obsolescence - the company closely manages stocks to prevent obsolescence;
- The risk of bad debts – active credit control systems are maintained;
- Brexit – whilst the ongoing Brexit preparations have not adversely affected the company, we continue to monitor the situation closely and the potential affects it could have on trade.

Financial key performance indicators

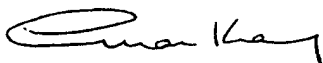
Turnover has increased from £13.4m to £20.0m. Operating profit has increased by over 58% to £3.6m. Profit before taxation is £3.6m (2018: £2.3m).

The substantial increase in activity over the last 12 – 18 months has reflected in an increase in net current assets to £9.4m (2018: £6.1m).

Future developments

The year ahead looks to be even better in terms of turnover with a large current backlog of orders. The company continues to hire new staff across all departments to meet the work demands and also as part of a succession planning programme.

This report was approved by the board and signed on its behalf.



A H Kay
Director

Date: 26/2/20.

CONSARC ENGINEERING LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

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

Directors' responsibilities statement

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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the company's financial statements 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 to 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.

Results and Dividends

The profit for the year, after taxation, amounted to £2,924,381 (2018: £1,841,707).

No dividends were declared or paid during the year (2018: £Nil).

Directors

The directors who served during the year are disclosed on the company information page.

CONSARC ENGINEERING LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019**

Disclosure of information to auditor

Each of the persons who are directors at the time when this directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This report was approved by the board and signed on its behalf.



A H Kay
Director

Date: 26/2/20.

CONSARC ENGINEERING LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CONSARC ENGINEERING LIMITED

Opinion

We have audited the financial statements of Consarc Engineering Limited (the 'company') for the year ended 31 December 2019, which comprise the statement of income and retained earnings, the balance sheet, the statement of cash flows and the related notes, 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 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 United Kingdom, including the Financial Reporting Council'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.

CONSARC ENGINEERING LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CONSARC ENGINEERING LIMITED (CONTINUED)

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.

Opinion 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.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of 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 on page 2, 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.

CONSARC ENGINEERING LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CONSARC ENGINEERING LIMITED
(CONTINUED)

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. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members 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 for our audit work, for this report, or for the opinions we have formed.



Andrew Honarmand (Senior Statutory Auditor)

for and on behalf of

Cooper Parry Group Limited

Chartered Accountants
Statutory Auditor

Sky View
Argosy Road
East Midlands Airport
Castle Donington
Derby
DE74 2SA

Date: 28/02/20

CONSARC ENGINEERING LIMITED

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2019**

	Note	2019 £	2018 £
Turnover	3	20,015,442	13,426,946
Cost of sales		(14,574,927)	(9,720,342)
Gross profit		<u>5,440,515</u>	<u>3,706,604</u>
Distribution costs		(612,870)	(506,083)
Administrative expenses		(1,221,886)	(939,785)
Other operating income		19,159	19,659
Operating profit	4	<u>3,624,918</u>	<u>2,280,395</u>
Interest receivable and similar income		2,339	816
Profit on ordinary activities before taxation		<u>3,627,257</u>	<u>2,281,211</u>
Taxation on profit on ordinary activities	7	(702,876)	(439,504)
Profit for the financial year		<u><u>2,924,381</u></u>	<u><u>1,841,707</u></u>
Retained earnings at the beginning of the year		7,129,395	5,287,688
Profit for the financial year		2,924,381	1,841,707
Retained earnings at the end of the year		<u><u>10,053,776</u></u>	<u><u>7,129,395</u></u>

There were no recognised gains and losses for 2019 or 2018 other than those included in the profit and loss account.

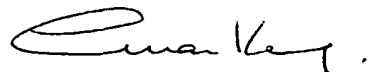
The notes on pages 11 to 24 form part of these financial statements.

CONSARC ENGINEERING LIMITED
REGISTERED NUMBER: SC019918

BALANCE SHEET
AS AT 31 DECEMBER 2019

	Note	2019 £	2018 £
Fixed assets			
Tangible fixed assets	8	2,073,453	2,094,118
Current assets			
Stocks	9	262,528	363,843
Debtors	10	11,197,457	8,425,870
Cash at bank and in hand		4,140,200	3,527,053
		<u>15,600,185</u>	<u>12,316,766</u>
Creditors: Amounts falling due within one year	11	<u>(6,189,083)</u>	<u>(6,237,480)</u>
Net current assets		9,411,102	6,079,286
Total assets less current liabilities		<u>11,484,555</u>	<u>8,173,404</u>
Creditors: Amounts falling due after more than one year	12	(257,965)	(267,094)
Other provisions	13	(911,508)	(515,609)
Net assets		<u>10,315,082</u>	<u>7,390,701</u>
Capital and reserves			
Called up share capital	14	91,110	91,110
Share premium account		170,196	170,196
Profit and loss account		10,053,776	7,129,395
		<u>10,315,082</u>	<u>7,390,701</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:



A H Kay
Director

Date: 26/2/20.

The notes on pages 11 to 24 form part of these financial statements.

CONSARC ENGINEERING LIMITED

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019**

	2019	2018
	£	£
Cash flows from operating activities		
Profit for the financial year	2,924,381	1,841,707
Adjustments for:		
Depreciation of tangible fixed assets	104,740	96,987
Loss on disposal of tangible fixed assets	-	(10,000)
Decrease/(increase) in stocks	101,822	(112,929)
Interest received	(2,339)	(816)
Taxation charge	702,876	439,504
Decrease in debtors	(2,708,058)	(5,580,762)
(Increase)/decrease in amounts owed by group undertakings	(68,347)	14,614
(Decrease)/increase in creditors	(118,030)	1,639,025
(Decrease)/increase in amounts owed to group undertakings	(102,178)	1,128,956
Increase/(decrease) in provisions	395,899	(88,730)
Corporation tax paid	(535,883)	(312,171)
Net cash generated from operating activities	694,883	(944,615)
Cash flows from investing activities		
Purchase of tangible fixed assets	(84,075)	(63,308)
Sale of tangible fixed assets	-	10,000
Interest received	2,339	816
Net cash used in investing activities	(81,736)	(52,492)
Net increase in cash and cash equivalents	613,147	(997,107)
Cash and cash equivalents at beginning of year	3,527,053	4,524,160
Cash and cash equivalents at the end of year	4,140,200	3,527,053
Cash at bank and in hand	4,140,200	3,527,053

The notes on pages 11 to 24 form part of these financial statements.

CONSARC ENGINEERING LIMITED

**ANALYSIS OF NET DEBT
FOR THE YEAR ENDED 31 DECEMBER 2019**

	At 1 January 2019 £	Cash flows £	At 31 December 2019 £
Cash at bank and in hand	3,527,053	613,147	4,140,200
	<u>3,527,053</u>	<u>613,147</u>	<u>4,140,200</u>

The notes on pages 11 to 24 form part of these financial statements.

CONSARC ENGINEERING LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

1. Accounting policies

1.1 Basis of preparation of financial statements

Consarc Engineering Limited is a limited liability company incorporated and domiciled in the United Kingdom. The address of its registered office is disclosed on the company information page.

The financial statements are presented in Sterling (£) which is the functional currency of the company. The financial statements are for the year ended 31 December 2019 (2018: year ended 31 December 2018).

The financial statements have been prepared on a going concern basis under the historical cost convention and in accordance with Financial Reporting Standard 102 (FRS 102), the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity or areas where assumptions and estimates are significant to the financial statements are disclosed in note 2.

The following principal accounting policies have been applied consistently throughout the year:

CONSARC ENGINEERING LIMITED

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

1. Accounting policies (continued)

1.2 Turnover

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the company and the turnover can be reliably measured. Turnover is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes.

Sale of goods

Turnover from the sale of goods is recognised when all of the following conditions are satisfied:

- the company has transferred the significant risks and rewards of ownership to the buyer;
- the company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of turnover can be measured reliably;
- it is probable that the company will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

Turnover from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of turnover can be measured reliably;
- it is probable that the company will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

The turnover shown in the profit and loss account also represents amounts due on contracts completed during the year adjusted for turnover attributable to long term work in progress, exclusive of value added tax and trade discounts.

Profit on long term contracts is taken as the work is carried out if the final outcome can be assessed with reasonable certainty. The profit included is calculated on a prudent basis to reflect the proportion of the work carried out at the year end, by recording turnover and related costs as contract activity progresses. Turnover and cost of sales are calculated as a percentage of direct costs used. Turnover derived from variations on contracts are recognised only when they have been agreed by the customer. Full provision is made for losses on all contracts in the year in which they are first foreseen.

Cumulative turnover is compared with total payments on account. If turnover exceeds payments on account, an amount recoverable on contract is recognised and separately disclosed within debtors. If payments on account are greater than turnover to date, the excess is classified as a deduction from work in progress, with any residual balance in excess of cost being classified within creditors.

CONSARC ENGINEERING LIMITED

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

1. Accounting policies (continued)

1.3 Tangible fixed assets

Tangible fixed assets 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 profit and loss account during the period in which they are incurred.

Land is not depreciated. Depreciation on other assets 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:

- Freehold buildings - 2.5% straight line
- Plant and machinery - 12.5% to 33% straight line
- Motor vehicles - 20% straight line
- Fixtures, fittings and equipment - 12.5% to 33% straight line

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 balance sheet date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the profit and loss account.

At each balance sheet date, the company reviews the carrying amounts of its tangible fixed assets to determine whether there is any indication that any items have suffered an impairment loss. If any such indication exists, the recoverable amount of an asset is estimated in order to determine the extent of the impairment loss, if any.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment loss is recognised as an expense immediately.

1.4 Operating leases

Rentals paid under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

1.5 Stocks and work in progress

Stocks and work in progress are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in the profit and loss account.

CONSARC ENGINEERING LIMITED

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

1. Accounting policies (continued)

1.6 Financial instruments

The company enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities such as trade and other accounts receivable and payable, loans from banks and other third parties and loans to related parties.

All financial assets and liabilities are initially measured at transaction price and subsequently measured at amortised cost.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate, which is an approximation of the amount that the company would receive for the asset if it were to be sold at the balance sheet date.

Derivatives, including 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 income as appropriate. The company does not currently apply hedge accounting for foreign exchange derivatives.

1.7 Government grants

Grants are accounted for under the accruals model as permitted by FRS 102. Grants relating to expenditure on tangible fixed assets are credited to the profit and loss account 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.

Grants of a revenue nature are recognised in the profit and loss account in the same period as the related expenditure.

1.8 Foreign currency translation

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the profit and loss account within 'finance income or costs'. All other foreign exchange gains and losses are presented in the profit and loss account within 'administration expenses'.

CONSARC ENGINEERING LIMITED

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

1. Accounting policies (continued)

1.9 Pensions

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 profit and loss account when they fall due. Amounts not paid are shown in accruals as a liability in the balance sheet. The assets of the plan are held separately from the company in independently administered funds.

1.10 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.

A warranty provision exists for the costs of rectification work which is expected to arise on contracts completed before the year-end, based on assessment of individual circumstances.

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.

When payments are eventually made, they are charged against the provision carried in the balance sheet.

1.11 Current and deferred taxation

The tax charge for the year comprises of current and deferred tax.

Current tax is recognised for the amount of corporation tax payable in respect of the taxable profit for the current or past reporting periods using the tax rates and laws that have been enacted or substantively enacted by the reporting date.

Deferred tax is recognised in respect of all timing differences at the reporting date, except as otherwise indicated.

Deferred tax assets are only 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. Deferred tax is calculated using the tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

CONSARC ENGINEERING LIMITED

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

2. Judgements in applying accounting policies and key sources of estimation uncertainty

The company makes estimates and assumptions concerning the future. Management are also required to exercise judgement in the process of applying the company's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Profit recognition on long term contracts

Profit recognition is based on an assessment of the overall profitability forecast on individual contracts. Losses are recognised as soon as they are foreseen. Profits are recognised by the directors when the outcome of the contract can be assessed with reasonable certainty. The profit recognised reflects that part of the total profit currently estimated to arise over the duration of the contract that fairly represents the profit attributable to work performed at the accounting date.

Warranty provisions

The company makes allowance for the cost of rectification work expected to arise on contracts.

Provisions are made by management based on an assessment of individual contract progression making allowance for the bespoke nature of a contract. In making their assessment, management analyse the historical trend of provisions being utilised. Provisions are initially charged to the profit and loss account with any costs incurred as a result of rectification work being charged against the provision.

Recoverability of trade debtors

Trade and other receivables are recognised to the extent that they are judged recoverable. Management reviews are performed to estimate the level of reserves required for irrecoverable debt. Provisions are made specifically against invoices where recoverability is uncertain.

Management makes allowance for doubtful debts based on assessment of the recoverability of debtors. Allowances are applied to debtors where events or changes in circumstances indicate that the carrying amounts may not be recoverable. Management specifically analyse historical bad debts, customer creditworthiness, current economic trends and changes in customer payment terms when making a judgement to evaluate the adequacy of the provision for doubtful debts. Where the expectation is different from the original estimate, such difference will impact the carrying value of the debtors and the charge in the profit and loss account.

Depreciation and residual values

The directors have reviewed the asset lives and associated residual values of all fixed asset classes and have concluded that asset lives and residual values are appropriate.

The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In assessing asset lives, factors such as technological innovation and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

CONSARC ENGINEERING LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

2. Judgements in applying accounting policies (continued)

Provisions

A provision is recognised when the company has a present legal or constructive obligation as a result of a past event for which it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated.

Whether a present obligation is probable or not requires judgement. The nature and type of risks for these provisions differ and management's judgement is applied regarding the nature and extent of obligations in deciding if an outflow of resources is probable or not. External advice is sought where appropriate.

Taxation

There are many transactions and calculations for which the ultimate tax determination is uncertain. The company takes professional advice on its tax affairs and recognises liabilities for anticipated tax based on estimates of what taxation is likely to be due.

Management estimation is required to determine the amount of any deferred tax assets that can be recognised, based upon likely timing and level of future taxable profits.

3. Turnover

An analysis of turnover by class of business is as follows:

	2019	2018
	£	£
Vacuum contracts	17,395,536	11,782,843
Spares	2,365,329	1,279,667
Service	254,577	364,436
	<u>20,015,442</u>	<u>13,426,946</u>

An analysis of turnover by country of destination:

	2019	2018
	£	£
United Kingdom	15,661,822	10,292,573
Europe	1,646,390	2,882,738
Rest of world	2,707,230	251,635
	<u>20,015,442</u>	<u>13,426,946</u>

CONSARC ENGINEERING LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

4. Operating profit

The operating profit is stated after charging:

	2019	2018
	£	£
Depreciation of tangible fixed assets	104,740	96,987
Foreign exchange loss	16,114	12,604
Auditor's remuneration	14,500	11,500
	135,354	121,091

5. Employees

Staff costs, including directors' remuneration, were as follows:

	2019	2018
	£	£
Wages and salaries	2,332,957	1,875,176
Social security costs	253,234	209,341
Cost of contributions to defined contribution scheme	245,335	212,961
	2,831,526	2,297,478

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

	2019	2018
	No.	No.
Administration	11	10
Engineering	19	17
Manufacturing	21	20
	51	47

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6. Directors' remuneration

	2019 £	2018 £
Directors' emoluments	320,848	267,269
Directors' pension costs	27,965	27,071
	<u>348,813</u>	<u>294,340</u>

During the year retirement benefits were accruing to 3 directors (2018:3) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £148,835 (2018: £123,356).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £11,304 (2018: £10,867).

CONSARC ENGINEERING LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

7. Taxation

	2019 £	2018 £
Corporation tax		
Current tax on profits for the year	696,323	440,530
Adjustments in respect of previous periods	2,242	-
	698,565	440,530
Deferred tax		
Origination and reversal of timing differences	4,311	(1,026)
	702,876	439,504
Taxation on profit on ordinary activities	702,876	439,504

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2018: higher than) the standard rate of corporation tax in the UK of 19% (2018: 19%). The differences are explained below:

	2019 £	2018 £
Profit on ordinary activities before tax	3,627,257	2,281,211
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018: 19%)	689,179	433,430
Effects of:		
Fixed asset differences	9,804	4,937
Expenses not deductible for tax purposes	1,044	1,016
Adjustments to tax charge in respect of prior periods	2,242	121
Adjustments to tax charge in respect of prior periods - deferred tax	(1,208)	-
Adjustments to deferred tax	(649)	-
Other differences leading to an increase (decrease) in the tax charge	2,464	-
Total tax charge for the year	702,876	439,504

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NOTES TO THE FINANCIAL STATEMENTS
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8. Tangible fixed assets

	Freehold land and buildings £	Plant and machinery £	Motor vehicles £	Fixtures and fittings £	Total £
Cost					
At 1 January 2019	2,439,761	683,482	-	298,644	3,421,887
Additions	21,816	-	10,000	52,259	84,075
At 31 December 2019	<u>2,461,577</u>	<u>683,482</u>	<u>10,000</u>	<u>350,903</u>	<u>3,505,962</u>
Depreciation					
At 1 January 2019	474,303	569,595	-	283,871	1,327,769
Charge for the year	51,865	35,127	1,837	15,911	104,740
At 31 December 2019	<u>526,168</u>	<u>604,722</u>	<u>1,837</u>	<u>299,782</u>	<u>1,432,509</u>
Net book value					
At 31 December 2019	<u>1,935,409</u>	<u>78,760</u>	<u>8,163</u>	<u>51,121</u>	<u>2,073,453</u>
At 31 December 2018	<u>1,965,458</u>	<u>113,887</u>	<u>-</u>	<u>14,773</u>	<u>2,094,118</u>

Included within freehold buildings is land not depreciated at £375,515 (2018: £375,515).

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FOR THE YEAR ENDED 31 DECEMBER 2019**

9. Stocks

	2019 £	2018 £
Raw materials	68,651	55,911
Long term contract balances	193,877	307,932
	262,528	363,843

Stock and work in progress recognised in cost of sales during the year as an expense was £14,511,941 (2018: £9,672,988).

No impairment loss was recognised in cost of sales during the current or prior year due to slow moving and obsolete stock.

10. Debtors

	2019 £	2018 £
Trade debtors	4,147,999	2,614,735
Amounts owed by group undertakings	50,245	1,797
Prepayments and accrued income	15,798	18,153
Amounts recoverable on long term contracts	6,946,850	5,750,309
Deferred taxation	36,565	40,876
	11,197,457	8,425,870

The impairment gain recognised in the profit and loss account in respect of bad and doubtful debts was £11,698 (2018: loss £21,353).

11. Creditors: Amounts falling due within one year

	2019 £	2018 £
Payments received on account	1,039,371	2,479,587
Trade creditors	2,035,110	1,401,034
Amounts owed to group undertakings	1,099,440	1,174,928
Corporation tax	420,097	257,415
Taxation and social security	719,743	240,526
Accruals and deferred income	875,322	683,990
	6,189,083	6,237,480

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NOTES TO THE FINANCIAL STATEMENTS
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12. Creditors: Amounts falling due after more than one year

	2019 £	2018 £
Accruals and deferred income	257,965	267,094

Total deferred grants of £267,094 (2018: £276,223) are included within accruals and deferred income. Amounts falling due after more than five years amounts to £221,448 (2018: £230,577).

Please provide details of the terms of payment or repayment and the rates of any interest payable on the amounts repayable more than five years after the balance sheet date.

13. Other provisions

	Warranty provision £
At 1 January 2019	515,609
Charged to the profit and loss account	4,418,624
Released to the profit and loss account	(315,045)
Utilised in year	(3,707,680)
At 31 December 2019	911,508

14. Share capital

	2019 £	2018 £
Allotted, called up and fully paid		
86,555 Ordinary A shares of £1 each	86,555	86,555
4,555 Ordinary B shares of £1 each	4,555	4,555
	<u>91,110</u>	<u>91,110</u>

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15. Pension commitments

The company operates a defined contribution 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 £245,335 (2018: £212,961). Contributions totalling £20,301 (2018: £9,312) were payable to the fund at the balance sheet date and are included in creditors.

16. Commitments under operating leases

At 31 December 2019 the company had future minimum lease payments under non-cancellable operating leases as follows:

	2019 £	2018 £
Not later than 1 year	6,745	13,048
Later than 1 year and not later than 5 years	8,036	2,651
Total	<u>14,781</u>	<u>15,699</u>

17. Contingent liabilities

At 31 December 2019, the company was party to transaction related guarantees, performance bonds and bank guarantees given in the normal course of business. At the year end these amounted to £87,000 (2018: £1,773,501). It is not anticipated that any liability will arise from these and accordingly no provision has been made.

18. Related party transactions

The company has taken advantage of the exemption contained in FRS102 section 33.1A not to disclose transactions or balances with other group companies where 100% of voting rights are held within the group.

19. Ultimate parent undertaking

The immediate parent undertaking is Consarc Corporation, a company incorporated in the United States of America.

The ultimate parent company is Rowan Technologies Inc. a company incorporated in the United States of America. Rowan Technologies Inc. is owned and controlled by a series of family trusts for the benefit of the Rowan family.