

Registered number: 00600170

Kenard Engineering (Tewkesbury) Limited

Directors' report and financial statements

For the year ended 31 March 2019



Kenard Engineering (Tewkesbury) Limited

Company Information

Directors	R R Ellis K J Ellis
Company secretary	K J Ellis
Registered number	00600170
Registered office	Green Street Green Road Dartford Kent DA1 1QE
Independent auditor	Kreston Reeves LLP Statutory Auditor & Chartered Accountants Montague Place Quayside Chatham Maritime Chatham Kent ME4 4QU
Bankers	Barclays Bank Plc PO Box 449 Dartford Kent DA1 1FE

Kenard Engineering (Tewkesbury) Limited

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Kenard Engineering (Tewkesbury) Limited

Directors' report

For the year ended 31 March 2019

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

Directors' responsibilities statement

The directors are responsible for preparing 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 judgments 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.

Principal activity

The company's principal activity continues to be precision engineering.

Business review

The year ended 31 March 2019 was a challenging year for the company which resulted in a 14.4% decrease in turnover. However, the gross profit margin increased from 10.7% to 11.1%. The loss for the year before exceptional amounts written off inter-company loans reduced from £692,209 to £482,204 as a result of improvements in efficiency and a reduction in non-productive working hours and overtime. The main focus of senior management going forward is to grow the sales order book whilst maintaining these improvements in efficiency.

Directors

The directors who served during the year were:

R R Ellis

K J Ellis

N Ransom (appointed 9 July 2018, resigned 31 July 2019)

K J Ellis will retire by rotation and being eligible offers himself for re-election at the forthcoming Annual General Meeting.

Kenard Engineering (Tewkesbury) Limited

Directors' report (continued) For the year ended 31 March 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.

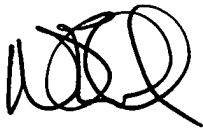
Auditor

Under section 487(2) of the Companies Act 2006, Kreston Reeves LLP will be deemed to have been reappointed as auditor 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the accounts with the registrar, whichever is earlier.

Small companies note

In preparing this report, the directors have taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006.

This report was approved by the board on 29th October 2019 and signed on its behalf.



K J Ellis
Secretary

Kenard Engineering (Tewkesbury) Limited

Independent auditor's report to the shareholders of Kenard Engineering (Tewkesbury) Limited

Opinion

We have audited the financial statements of Kenard Engineering (Tewkesbury) Limited (the 'company') for the year ended 31 March 2019, which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity 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 March 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.

Material uncertainty related to going concern

We draw attention to note 2.3 in the financial statements, which indicates that the company incurred a net operating loss of £454,071 during the year ended 31 March 2019 and, as of that date, the company's current liabilities exceeded its current assets by £250,803. As stated in note 2.3, these events or conditions, along with the other matters as set forth in note 2.3, indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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.

Kenard Engineering (Tewkesbury) Limited

Independent auditor's report to the shareholders of Kenard Engineering (Tewkesbury) Limited (continued)

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 directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has 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 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; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the directors' report and from the requirement to prepare a strategic report.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement on page 1, 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.

**Independent auditor's report to the shareholders of Kenard Engineering (Tewkesbury) 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.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion of 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.

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.

Kenard Engineering (Tewkesbury) Limited

**Independent auditor's report to the shareholders of Kenard Engineering (Tewkesbury) Limited
(continued)**

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.



David Turner FCCA (senior statutory auditor)

for and on behalf of
Kreston Reeves LLP

Statutory Auditor
Chartered Accountants

Chatham Maritime

Date: 4 November 2019.

Kenard Engineering (Tewkesbury) Limited

Statement of comprehensive income For the year ended 31 March 2019

	Note	2019 £	2018 £
Turnover		3,886,702	4,539,582
Cost of sales		(3,454,220)	(4,052,229)
Gross profit		432,482	487,353
Distribution costs		(89,579)	(111,875)
Administrative expenses		(796,974)	(1,035,046)
Operating loss	4	(454,071)	(659,568)
Amounts written off amounts owed to group undertakings		500,000	500,000
Interest payable and expenses		(28,133)	(32,641)
Profit/(loss) before tax		17,796	(192,209)
Tax on profit/(loss)	7	-	-
Profit/(loss) for the financial year		17,796	(192,209)

There was no other comprehensive income for 2019 (2018:£NIL).

The notes on pages 10 to 22 form part of these financial statements.

Kenard Engineering (Tewkesbury) Limited
Registered number: 00600170

Balance sheet
As at 31 March 2019

	Note	2019 £	2018 £
Fixed assets			
Tangible assets	8	786,307	907,556
		<u>786,307</u>	<u>907,556</u>
Current assets			
Stocks	9	654,893	1,003,092
Debtors: amounts falling due within one year	10	1,106,427	1,205,683
Cash at bank and in hand	11	3,494	10,295
		<u>1,764,814</u>	<u>2,219,070</u>
Creditors: amounts falling due within one year	12	(2,015,617)	(2,547,415)
Net current liabilities		<u>(250,803)</u>	<u>(328,345)</u>
Total assets less current liabilities		<u>535,504</u>	<u>579,211</u>
Creditors: amounts falling due after more than one year	13	-	(61,503)
Net assets		<u><u>535,504</u></u>	<u><u>517,708</u></u>
Capital and reserves			
Called up share capital	15	2,155,234	2,155,234
Share premium account		6,072	6,072
Profit and loss account		(1,625,802)	(1,643,598)
		<u><u>535,504</u></u>	<u><u>517,708</u></u>

The company's financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime.

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

29th October 2019


R R Ellis
 Director


K J Ellis
 Director

The notes on pages 10 to 22 form part of these financial statements.

Kenard Engineering (Tewkesbury) Limited

Statement of changes in equity For the year ended 31 March 2019

	Called up share capital	Share premium account	Profit and loss account	Total equity
	£	£	£	£
At 1 April 2018	2,155,234	6,072	(1,643,598)	517,708
Comprehensive income for the year				
Profit for the year	-	-	17,796	17,796
Total comprehensive income for the year	-	-	17,796	17,796
Total transactions with owners	-	-	-	-
At 31 March 2019	2,155,234	6,072	(1,625,802)	535,504

The notes on pages 10 to 22 form part of these financial statements.

Statement of changes in equity For the year ended 31 March 2018

	Called up share capital	Share premium account	Profit and loss account	Total equity
	£	£	£	£
At 1 April 2017	2,155,234	6,072	(1,451,389)	709,917
Comprehensive income for the year				
Loss for the year	-	-	(192,209)	(192,209)
Total comprehensive income for the year	-	-	(192,209)	(192,209)
Total transactions with owners	-	-	-	-
At 31 March 2018	2,155,234	6,072	(1,643,598)	517,708

The notes on pages 10 to 22 form part of these financial statements.

Share capital

This represents the nominal value of shares that have been issued by the company.

Share premium

This reserve records the amount above the nominal value received for shares issued by the company. Share premium may only be utilised to write-off any expenses incurred or commissions paid on the issue of those shares, or to pay up new shares to be allotted to members as fully paid bonus shares.

Profit and loss account

This reserve comprises all current and prior period retained profits and losses after deducting any distributions made to the shareholders.

Kenard Engineering (Tewkesbury) Limited

Notes to the financial statements For the year ended 31 March 2019

1. General information

Kenard Engineering (Tewkesbury) Limited is a limited liability company incorporated in England. The address of the registered office is Green Street Green Road, Dartford, Kent, DA1 1QE. The principal activity of the company is that of precision engineering.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 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 compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the company's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 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 the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 4 Statement of Financial Position paragraph 4.12(a)(iv);
- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.41(b), 11.41(c), 11.41(e), 11.41(f), 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Kenard Group Limited as at 31 March 2019 and these financial statements may be obtained from the Registrar of Companies.

**Notes to the financial statements
For the year ended 31 March 2019**

2. Accounting policies (continued)

2.3 Going concern

At the balance sheet date the company has accumulated losses of £1,625,802 and net current liabilities of £250,803 after reporting an operating loss of £454,071 for the year ended 31 March 2019. The current economic conditions continue to create uncertainty over the level of demand for the company's products. The company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the company should be able to operate within the level of its current facilities. However, the directors have considered whether a material uncertainty exists that casts significant doubt on the company's ability to continue as a going concern and whether, therefore, the company may be unable to realise its assets and discharge its liabilities in the normal course of business. The company meets its day to day working capital requirements through a group banking facility. The facility is part of a group arrangement involving Kenard Engineering Company Limited, a fellow subsidiary undertaking within the Kenard Group Limited group, secured by a fixed and floating charge over the assets of the company and a composite cross guarantee. In addition, Kenard Engineering Company Limited has confirmed that it intends to continue its long term financing of the company. On this basis, the directors consider it appropriate to prepare the financial statements on the going concern basis. The financial statements do not include any adjustments that would result from a withdrawal of the group facility by the company's bankers.

2.4 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Sale of goods

Revenue 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 revenue 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.

**Notes to the financial statements
For the year ended 31 March 2019**

2. Accounting policies (continued)

2.5 Foreign currency translation

Functional and presentation currency

The company's functional and presentational currency is sterling.

Transactions and balances

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 statement of comprehensive income except when deferred in other comprehensive income as qualifying cash flow hedges.

All foreign exchange gains and losses are presented in the statement of comprehensive income within administration expenses.

2.6 Operating leases: the company as lessee

Rentals paid under operating leases are charged to the statement of comprehensive income on a straight line basis over the lease term.

2.7 Leased assets: the company as lessee

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

2.8 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. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.9 Borrowing costs

All borrowing costs are recognised in the statement of comprehensive income in the year in which they are incurred.

**Notes to the financial statements
For the year ended 31 March 2019**

2. Accounting policies (continued)

2.10 Pensions

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

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

2.11 Taxation

Tax is recognised in the statement of comprehensive income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

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

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

2.12 Tangible fixed assets

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.

At each reporting date the company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

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 or loss during the period in which they are incurred.

**Notes to the financial statements
For the year ended 31 March 2019**

2. Accounting policies (continued)

2.12 Tangible fixed assets (continued)

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.

Depreciation is provided on the following bases:

Short term leasehold improvements	- over the term of the lease
Plant and machinery	- 8.33% per annum
Fixtures, fittings, tools and equipment	- 10% to 25% per annum

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 in the statement of comprehensive income.

2.13 Stocks

Stocks 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 profit or loss.

2.14 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.

2.15 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.16 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.

2.17 Holiday pay accrual

A liability is recognised to the extent of any unused holiday pay entitlement which is accrued at the balance sheet date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the balance sheet date.

**Notes to the financial statements
For the year ended 31 March 2019**

2. Accounting policies (continued)

2.18 Invoice discounting

The company has an agreement with RBS Invoice Finance Limited whereby the majority of its trade debtors are invoice discounted, with recourse after 90 days. On the basis that the benefits and risks attaching to the debts remain with the company, a separate presentation has been adopted, in accordance with Financial Reporting Standard 102. On this basis the gross debts are included as an asset within trade debtors and the proceeds received are included within bank loans and overdrafts as a liability.

2.19 Financial instruments

The company only 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.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at the 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 creditors or trade debtors, 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, such as 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 the case of an out-right 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.

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.

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 of the recoverable amount, 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.

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.

Notes to the financial statements
For the year ended 31 March 2019

3. Judgments in applying accounting policies and key sources of estimation uncertainty

The preparation of the financial statements requires the directors to make judgments, estimates and assumptions that can affect the amounts reported for assets and liabilities, and the results for the year. The nature of estimation is such though that actual outcomes could differ significantly from those estimates.

The following judgments have had the most significant impact on amounts recognised in the financial statements:

Lease commitments

The company has entered into a range of lease commitments in respect of property, plant and equipment. The classification of these leases as either financial or operating leases requires the directors to consider whether the terms and conditions of each lease are such that the company has acquired the risks and rewards associated with the ownership of the underlying assets.

The following are the company's key sources of estimation uncertainty:

Tangible fixed assets

The company has recognised tangible fixed assets with a carrying value of £786,307 at the reporting date (see note 8). These assets are stated at their cost less provision for depreciation and impairment. The company's accounting policy sets out the approach to calculating depreciation for immaterial assets acquired. For material assets such as plant and machinery the company determines at acquisition reliable estimates for the useful life of the asset, its residual value and decommissioning costs. These estimates are based upon such factors as the expected use of the acquired asset and market conditions. At subsequent reporting dates the directors consider whether there are any factors such as technological advancements or changes in market conditions that indicate a need to reconsider the estimates used.

Where there are indicators that the carrying value of tangible assets may be impaired the company undertakes tests to determine the recoverable amount of assets. These tests require estimates of the fair value of assets less cost to sell and of their value in use. Wherever possible the estimate of the fair value of assets is based upon observable market prices less the incremental cost for disposing of the asset. The value in use calculation is based upon a discounted cash flow model, based upon the company's forecasts for the foreseeable future which do not include any restructuring activities that the company is not yet committed to or significant future investments that will enhance the asset's performance. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as expected future cash flows and the growth rate used for extrapolation purposes.

4. Operating loss

The operating loss is stated after charging:

	2019 £	2018 £
Auditors' remuneration	6,630	6,400
Exchange differences	5,933	(17,805)
Other operating lease rentals	189,259	175,129
Other pension costs	63,729	76,369

Kenard Engineering (Tewkesbury) Limited

Notes to the financial statements For the year ended 31 March 2019

5. Employees

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

	2019 No.	2018 No.
Directors	3	3
Administration	10	14
Production	35	41
	48	58

6. Directors' remuneration

	2019 £	2018 £
Directors' emoluments	-	159,548
	-	159,548

During the year there were no retirement benefits accruing to directors (2018: 1) in respect of defined contribution pension schemes.

**Notes to the financial statements
For the year ended 31 March 2019**

7. Taxation

	2019 £	2018 £
Current tax on profits for the year	-	-
	-	-
	-	-
Total current tax	-	-

Factors affecting tax charge for the year

The tax assessed for the year is lower 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/(loss) on ordinary activities before tax	17,796	(192,209)
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018 - 19%)	3,381	(36,520)
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	277	172
Depreciation on assets not qualifying for capital allowances	26	195
Non-taxable income	(95,000)	(95,000)
Unrelieved tax losses carried forward	91,316	131,153
Total tax charge for the year	-	-

Factors that may affect future tax charges

The company has residual trading losses of £2,324,077 to carry forward for utilisation in future years.

Kenard Engineering (Tewkesbury) Limited

Notes to the financial statements For the year ended 31 March 2019

8. Tangible fixed assets

	Short term leasehold improvements £	Plant and machinery £	Fixtures, fittings, tools and equipment £	Total £
Cost or valuation				
At 1 April 2018	10,250	3,644,324	223,850	3,878,424
Additions	-	-	21,136	21,136
At 31 March 2019	10,250	3,644,324	244,986	3,899,560
Depreciation				
At 1 April 2018	10,250	2,806,202	154,416	2,970,868
Charge for the year on owned assets	-	92,055	16,719	108,774
Charge for the year on financed assets	-	33,611	-	33,611
At 31 March 2019	10,250	2,931,868	171,135	3,113,253
Net book value				
At 31 March 2019	-	712,456	73,851	786,307
At 31 March 2018	-	838,122	69,434	907,556

The net book value of assets held under finance leases or hire purchase contracts, included above, are as follows:

	2019 £	2018 £
Plant and machinery	268,838	302,449
	268,838	302,449

9. Stocks

	2019 £	2018 £
Work in progress	654,893	1,003,092
	654,893	1,003,092

Stock recognised in cost of sales during the year as an expense was £941,547 (2018: £1,688,459).

An impairment loss of £231,404 (2018: £Nil) was recognised in cost of sales against stock during the year due to slow-moving and obsolete stock.

Kenard Engineering (Tewkesbury) Limited

Notes to the financial statements For the year ended 31 March 2019

10. Debtors

	2019 £	2018 £
Trade debtors	946,075	1,045,290
Amounts owed by group undertakings	77,821	77,821
Prepayments and accrued income	82,531	82,572
	<u>1,106,427</u>	<u>1,205,683</u>

The company invoice discounts its trade debtors with recourse after 90 days. The gross amount of the debts which are invoice discounted at 31 March 2019 is £946,075 (2018: £1,045,290). The company has had a proportion of its debtors advanced by RBS Invoice Finance Limited which, including charges, totals £650,829 and is included in bank loans and overdrafts (2018: £540,190).

11. Cash and cash equivalents

	2019 £	2018 £
Cash at bank and in hand	3,494	10,295
Less: bank overdrafts	(650,829)	(540,190)
	<u>(647,335)</u>	<u>(529,895)</u>

12. Creditors: Amounts falling due within one year

	2019 £	2018 £
Bank overdrafts	650,829	540,190
Trade creditors	375,289	546,214
Amounts owed to group undertakings	730,864	1,171,572
Other taxation and social security	135,278	59,150
Obligations under finance lease and hire purchase contracts	61,503	89,356
Accruals and deferred income	61,854	140,933
	<u>2,015,617</u>	<u>2,547,415</u>

The invoice discounting facility, included within bank overdrafts, is secured by a fixed and floating charge over the assets of the company and a composite cross guarantee, given by all of the companies within the Kenard Group Limited group of companies.

Kenard Engineering (Tewkesbury) Limited

Notes to the financial statements For the year ended 31 March 2019

13. Creditors: Amounts falling due after more than one year

	2019 £	2018 £
Net obligations under finance leases and hire purchase contracts	-	61,503
	<u>-</u>	<u>61,503</u>

14. Hire purchase and finance leases

Minimum lease payments under hire purchase fall due as follows:

	2019 £	2018 £
Within one year	61,503	89,356
Between one to two years	-	61,503
	<u>61,503</u>	<u>150,859</u>

15. Share capital

	2019 £	2018 £
Allotted, called up and fully paid		
2,155,234 (2018 - 2,155,234) Ordinary shares of £1.00 each	<u>2,155,234</u>	<u>2,155,234</u>

16. Contingent liabilities

The company is party to a composite cross guarantee and debenture given to RBS Invoice Finance Limited, covering the invoice discounting facility of the companies within the Kenard Group Limited group of companies. The potential liability at the balance sheet date was £363,109 (2018: £149,374).

The company also has an obligation under the Group VAT registration amounting to £193,780 as at 31 March 2019 (2018: £182,116).

17. Commitments under operating leases

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

	2019 £	2018 £
Not later than 1 year	205,567	170,567
Later than 1 year and not later than 5 years	448,624	533,767
	<u>654,191</u>	<u>704,334</u>

**Notes to the financial statements
For the year ended 31 March 2019**

18. Related party transactions

The company has taken advantage of the exemption from disclosing related party transactions with its fellow group members provided by paragraph 33.1A of Financial Reporting Standard 102 as it is a wholly owned subsidiary undertaking of Kenard Group Limited.

Mr R R Ellis and Mr K J Ellis are members of the Kenard Engineering Executive Pension Scheme. During the year, the company paid rent to the Scheme of £163,125 (2018: £150,000) in respect of the lease of the company's principal trading premises. No amounts were due to the Scheme as at 31 March 2019.

19. Controlling party

The company's ultimate parent undertaking and controlling party is Kenard Group Limited, which is registered in England. Copies of that company's group financial statements may be obtained from the Registrar of Companies.

The company is not ultimately controlled by any individual.