Franklin Hodge Industries Limited

Report and Financial Statements

Year Ended

31 December 2020

Company Number 05005341

Franklin Hodge Industries Limited

Report and financial statements
for the year ended 31 December 2020

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Directors

A G Bews
R J Davies
B E Kerrison
J C Scott
P R Madelin (Appointed 13 September 2021)

Registered office

90 Lea Ford Road, Birmingham B33 9TX

Company number

05005341

Auditors

Macintyre Hudson LLP, Rutland House, 148 Edmund Street, Birmingham, B3 2FD

Franklin Hodge Industries Limited

Strategic report
for the year ended 31 December 2020

Introduction

The directors present their strategic report together with the audited financial statements for the year ended 31 December 2020.

The company's principal activity is the design, manufacture, installation and refurbishment of liquid storage tanks, cooling towers and silos.

Review of the business

The company saw a small decline in sales this year as a consequence the turnover has seen a 5.2% decrease from last year at £10,422,739 (2019 – £10,993,834). The decline was due to impact of Covid-19. However, there was a strong recovery in the second half of the year which has continued into 2021.

Profit before tax increased to £502,839 (2019 - £255,262). The improvement was due to improved margins and cost control in part as a result of merging Carter Environmental Engineers Ltd sales and contracting operations into the company. During the year, the company used the Coronavirus retention scheme to safeguard the workforce and also agreed a deferment of VAT payments, through the group entity, with HMRC to protect working capital requirements in accordance with the government Coronavirus support measures.

The company now has positive shareholders' funds.

Future Developments

During 2020 the company took on the sale operations of Carter Environmental Engineers Limited. 2021 will see the transfer of the employees and remaining assets and operations. The markets have largely recovered from Covid-19 and the company is now in a good position to continue with recent profitable trading for rest of 2021 and into 2022.

Key performance indicators

The key drivers of the business are to deliver profitable growth, enter new markets, focus on improving the net return on sales and to be cash generative to fund future growth aspirations.

Key performance indicators in the year were as follows:

	2020	2019
Turnover	£10,422,739	£10,993,834
Operating profit	£522,194	£334,316
Operating profit %	5.0%	3.0%
Profit before tax	£502,839	£255,262

Principal risks and uncertainties

Loss of Customers

The company manages the risk of losing customers by the provision of high quality products and value added services, constantly improving the quality of the products that it manufactures and by maintaining strong relationships with key customers.

Pipeline

In the current economic climate, as referred to above, the pipeline for new contracts may be increased or decreased in line with the economic activity in the building and building services sectors and on the plans of the company's other industrial customers. The company is able to adapt its capabilities and resources to meet significant changes arising from the work pipeline.

Principal risks and uncertainties *(continued)*

Credit Risk

Credit risk is managed by making appropriate enquiries of credit reference agencies, insuring all trade debtors, transacting business with overseas customers with Letters of Credit and by monitoring payments against contractual obligations. The company has credit insurance to protect against a catastrophic debtor failure.

Cash flow

The company monitors cash flow as part of its day-to-day control procedures. In addition, the Directors regularly review the company's cash flow projections to ensure that appropriate facilities are available as necessary through the parent group banking facility as detailed in the liquidity and funding section below.

Regulatory Risk

The company is exposed to risks arising from non-compliance and relevant laws and regulations. In order to manage this risk, the Board monitors the introduction of new legislation closely, and communicates key developments to managers and staff through internal channels. All relevant legislation is monitored on a departmental level by the relevant management staff, with robust procedures in place to report and act on non-compliance issues.

Reputational Risk

The company is exposed to the risk that poor quality products and service may have a detrimental effect on the reputation of the company. In order to manage this risk, the company has robust quality control processes in place, including ISO 9001, to ensure that all products and services meet and exceed the required standards of quality and are fully fit for purpose. This process is monitored by the board of directors and corrective action taken where necessary.

Currency risk

The company operates in the UK and certain overseas markets. It does have some currency exposure, mainly with the Euro. Where the directors deem that a contract exposes the company to a material exchange risk then a foreign exchange contract is entered into to mitigate the exchange exposure. The balances receivable or payable denominated in foreign currencies at the year end were not significant.

Interest rate risk

The company bank account forms part of the Carter Group's banking facilities. Cash balances are pooled with those of other companies within the Carter Group and interest paid/received by the Group on the net balance.

The company is charged notional interest, by the Group, on the company's bank balance.

Price risk

The company is exposed to price risk in regards to metal prices. Contracts are negotiated taking into account expected prices and discussions with customers.

Liquidity and funding

Historically, the Company has been funded by cash flows generated from trading and leases for certain capital expenditure items. The Company is part of the immediate parent company (Carter Thermal Industries Limited) group banking facility, and the cash headroom is connected to the group forecast. As a result, the Company cash flow and headroom has been considered as part of the overall review of the group facilities.

Liquidity and funding *(continued)*

The Group has been in regular dialogue with its bankers, Barclays, throughout the period of COVID-19 interruption. In September 2020, the group also took out a COVID-19 Large Business Interruption Loan (CLBILs) facility of £6.5m. This was secured by Barclay's fixed and floating charge on the group's and company's assets. The facility is available to September 2022. The Group has operated well within its facilities with significant headroom at all times. At the point CLBILs is due for repayment, our bankers have indicated that a rolling credit facility will be available to cover the group's requirements along with the continuation of other current existing facilities.

The directors have prepared a detailed profit and cash flow forecast ("the forecast") for the period to 31 December 2022 ("the period") which shows the Group trading, financial position, cash flows and expected available bank facilities for the period. This model has been stress-tested for potential reduction in activity and/or increases in cost base. The forecast, and its stress testing, shows that the group will be able to operate and meet its external liabilities as they fall due for payment during the period. The forecast also shows that the group will continue to meet its covenant requirements during the period.

The company is reliant on funding in place from its parent company, Carter Thermal Industries Limited. The parent does not expect repayment of these balances until the company has funds to do so and has undertaken to provide such financial support as required by the company for a period of at least one year from the signing of these financial statements.

After consideration of the above factors and other factors connected to the impact of Covid-19 and other matters affecting the Group and Company, the directors remain confident that the forecast is achievable, that the available funding from banks and other parties will be in place throughout the period and that the headroom within the forecast will be sufficient to enable the Group and Company to operate and meet its liabilities as they fall due for payment throughout the period. The directors have considered the various uncertainties connected to the forecast, including the stress test and mitigating actions that could be taken, and consider that they do not indicate the existence of material uncertainties. On this basis the directors consider that it is appropriate to prepare the financial statements on the going concern basis

Health and safety

The company continues to maintain and develop its health and safety processes for the benefit of its employees and customers. All policies are continually reviewed and updated to ensure that they remain appropriate for the protection of the business, the environment and the ethical bedrock on which the company trades.

Covid-19

The safety of our employees and those people we come into contact with is paramount. Effective Covid-19 measures have been put in place. Despite having some a significant number of employees providing essential maintenance to the food chain our Covid-19 infection rates have remained comparatively low. Since the start of the first lockdown a series of virtual meetings are held every week to access and mitigate risk.

Whereas our 2020 sales were impacted by Covid-19 the company is fortunate that there has been a strong recovery in the latter part of 2020 and this has continued into 2021 and is anticipated to continue into 2022.

Covid-19 risks are continuing but systems are in place to react quickly to changes and in general further lockdowns have caused less disruption and allowed the business to perform well and meet the demands of our customers.

Approval

This strategic report was approved on behalf of the Board on 6th October 2021

PRMadel

P R Madelin
Director
Date:

Franklin Hodge Industries Limited

Directors' Report
for the year ended 31 December 2020

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

Results and dividends

The statement of comprehensive income is set out on page 10 and shows the profit for the year.

The directors do not recommend the payment of a final dividend. No interim dividends were paid during the year.

Directors

The directors who served during the year were:

A G Bews
R J Davies
B E Kerrison
J C Scott

P.R.Madelin was appointed director on 13 September 2021.

Financial risk management policy

The directors have reviewed the financial risk management objectives and policies of the company and, where there is significant exposure to financial risks, the group policy laid down by the parent company, Carter Thermal Industries Limited, is followed. It also does not enter into any speculative financial instruments. Appropriate trade terms are negotiated with suppliers and customers and management reviews these terms and the trade relationships.

Financial Instruments

The company's principal financial instruments comprise cash and balances with group undertakings and various items such as trade debtors and trade creditors that arise directly from its operations.

The main risk associated with the group's financial assets and liabilities are set out below.

Price risk

The group does not deem the exposure to price changes in operating activity costs to be significant enough to consider any hedging activity to be necessary.

Credit risk

The group's credit risk is primarily attributed to its trade receivables, with exposure spread over a large number of counterparties and customers. The group aims to minimise such losses with a key focus on debtor collection in order to minimise bad debt exposure.

Liquidity risk

The group aims to mitigate liquidity risk by managing cash generated by its operations. Flexibility is maintained by retaining surplus cash in readily accessible bank accounts.

Employment of disabled persons

Full and fair consideration is given to applications for employment from disabled persons and to continuing the employment of those who become disabled while employed. The policy is to give equal opportunity for training, career development and promotion.

Employee involvement

Employee representatives are informed of the economic factors affecting the performance of the company by means of regular meetings with management.

Research and development activities

The company undertakes research and development activities in relation to product development. All research and development expenditure is expensed in the income statement as it is incurred.

Post balance sheet events

There have been no significant post balance sheet events.

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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). Under company law the directors must not approve the financial statements unless 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 judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject for any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions, to 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.

Disclosure of information to auditors

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

- so far as that director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- that 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 auditors are aware of that information.

Auditors

MHA MacIntyre Hudson were appointed auditors during 2021 by the directors

On behalf of the Board

PRMadelin

P R Madelin
Director

Date: 6th October 2021

Franklin Hodge Industries Limited

Independent auditor's report to the members of Franklin Hodge Industries Limited

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Opinion

We have audited the financial statements of Franklin Hodge Industries Limited (the 'Company') for the year ended 31 December 2020, which comprise the Statement of comprehensive income, the Statement of financial position, 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 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 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

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 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 set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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:

- Enquiry of management and those charged with governance around the actual and potential litigation and claims
- Performing audit work over the risk of management override of controls, including testing of large or otherwise unusual journal entries and other adjustments for appropriateness;
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with the applicable laws and regulations;
- Review of legal and professional nominal accounts for indications of any actual or potential litigation;
- Review of accounting estimates for indications of management bias.
- Review of board minutes for evidence of any litigation or non-compliance with legislation

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

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, 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.

Tobias Stephenson BA ACA (Senior statutory auditor)
for and on behalf of
MHA MacIntyre Hudson (Statutory auditor)
Birmingham, United Kingdom
Date: 6 October 2021

Franklin Hodge Industries Limited

Statement of comprehensive income
for the year ended 31 December 2020

	Note	2020 £	2019 £
Turnover	3	**10,422,739**	10,993,834
Change in stocks of finished goods and work in progress		**767,141**	(40,729)
Raw materials and consumables		**(7,655,444)**	(7,579,346)
Other external charges		**(935,368)**	(799,843)
Staff costs	6	**(2,260,642)**	(2,181,967)
Depreciation and amortisation	4	**(37,231)**	(57,633)
Other operating income	8	**220,999**	-
Operating profit	4	**522,194**	334,316
Interest receivable and similar income	9	**3,123**	1,946
Interest payable and similar charges	10	**(22,478)**	(81,000)
Profit before tax		**502,839**	255,262
Taxation on profit on ordinary activities	11	**(89,628)**	(64,338)
Profit and total comprehensive income for the year		**413,211**	190,924

There is no other comprehensive income in the current or prior year.

All amounts relate to continuing activities.

The notes on pages 13 to 27 form part of these financial statements.

Franklin Hodge Industries Limited

Statement of financial position
as at 31 December 2020

Company number 05005341	Note	2020 £	2020 £	2019 £	2019 £
Fixed assets					
Intangible assets	12		-		-
Tangible assets	13		**75,673**		38,895
			75,673		38,895
Current assets					
Stocks	14	**997,740**		184,934	
Debtors	15	**3,300,810**		2,649,789	
Cash at bank and in hand		**625,374**		534,165	
		4,923,924		3,368,888	
Creditors: amounts falling due within one year	16	**(4,708,215)**		(3,569,123)	
Net current assets			**215,709**		(200,235)
Total assets less current liabilities			**291,382**		(161,340)
Provisions for liabilities	19		**(57,500)**		(17,989)
Net assets / (liabilities)			**233,882**		(179,329)
Capital and reserves					
Called up share capital	20		**2,500**		2,500
Profit and loss account	17		**231,382**		(181,829)
Shareholders' funds / (deficit)			**233,882**		(179,329)

The financial statements were approved by the Board of Directors and authorised for issue on 6th October 2021

PRMadelin

P R Madelin
Director

The notes on pages 13 to 27 form part of these financial statements.

Franklin Hodge Industries Limited

Statement of changes in equity
for the year ended 31 December 2020

	Share Capital £	Retained Earnings £	Total equity £
1 January 2020	**2,500**	**(181,829)**	**(179,329)**
Comprehensive income for the year			
Profit for the year	**-**	**413,211**	**413,211**
Total comprehensive income for the year	**-**	**413,211**	**413,211**
31 December 2020	**2,500**	**231,382**	**233,882**

Statement of changes in equity
for the year ended 31 December 2019

	Share Capital £	Retained Earnings £	Total equity £
1 January 2019	2,500	(372,753)	(370,253)
Comprehensive income for the year			
Profit for the year	-	190,924	190,924
Total comprehensive income for the year	-	190,924	190,924
31 December 2019	2,500	(181,829)	(179,329)

The notes on pages 13 to 27 form part of these financial statements.

Franklin Hodge Industries Limited

Notes to the financial statements
for the year ended 31 December 2020

1 Accounting policies

1.1 Basis of preparation of financial statements

Franklin Hodge Industries Limited is a private company limited by shares incorporated in England and Wales under the Companies Act. The address of the registered office is given on the contents page and the nature of the company's operations, and its principal activity is set out in the strategic report.

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the United Kingdom 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 2).

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 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 11 Financial Instruments paragraphs 11.39 to 11.48A;
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.29;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Carter Thermal Industries Limited as at 31 December 2020 and these financial statements may be obtained from Companies House as per note 25.

The following principal accounting policies have been applied:

1.2 Going concern

Historically, the Company has been funded by cash flows generated from trading and leases for certain capital expenditure items. The Company is part of the immediate parent company (Carter Thermal Industries Limited) group banking facility, and the cash headroom is connected to the group forecast. As a result, the Company cash flow and headroom has been considered as part of the overall review of the group facilities.

The Group has been in regular dialogue with its bankers, Barclays, throughout the period of COVID-19 interruption. In September 2020, the Group also took out a COVID-19 Large Business Interruption Loan (CLBILs) facility of £6.5m. This was secured by Barclay's fixed and floating charge on the group's and company's assets. The facility is available to September 2022. The Group has operated well within its facilities with significant headroom at all times. At the point CLBILs is due for repayment, our bankers have indicated that a rolling credit facility will be available to cover the group's requirements along with the continuation of other current existing facilities.

The directors have prepared a detailed profit and cash flow forecast ("the forecast") for the period to 31 December 2022 ("the period") which shows the Group trading, financial position, cash flows and expected available bank facilities for the period. This model has been stress-tested for potential reduction in activity and/or increases in cost base. The forecast, and its stress testing, shows that the group will be able to operate and meet its external liabilities as they fall due for payment during the period. The forecast also shows that the group will continue to meet its covenant requirements during the period.

The company is reliant on funding in place from its parent company, Carter Thermal Industries Limited. The parent does not expect repayment of these balances until the company has funds to do so and has undertaken to provide such financial support as required by the Company for a period of at least one year from the signing of these financial statements.

1 Accounting policies *(continued)*

1.2 Going concern *(continued)*

After consideration of the above factors and other factors connected to the impact of Covid-19 and other matters affecting the Group and Company, the directors remain confident that the forecast is achievable, that the available funding from banks and other parties will be in place throughout the period and that the headroom within the forecast will be sufficient to enable the group and company to operate and meet its liabilities as they fall due for payment throughout the period. The directors have considered the various uncertainties connected to the forecast, including the stress test and mitigating actions that could be taken, and consider that they do not indicate the existence of material uncertainties. On this basis the directors consider that it is appropriate to prepare the financial statements on the going concern basis

1.3 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.

The following criteria must also be met before revenue is recognised:

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;
- 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 a 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 measure reliably, and;
- the costs incurred and the costs to complete the contract can be measured reliably.

1.4 Interest receivable

Interest receivable is recognised in the Statement of Comprehensive Income using the effective interest method.

1.5 Intangible assets

Goodwill represents the excess of the cost of a business combination over the fair value of the Company's share of the net identifiable assets of the acquiree at the date of acquisition.

Subsequent to initial recognition, goodwill is measured at cost less accumulated amortisation a accumulated impairment losses. Goodwill is amortised on a straight line basis to the Statement Comprehensive Income over its useful live.

1 Accounting policies *(continued)*

1.6 Tangible assets and depreciation

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 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 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. Repair and maintenance are charged to profit or loss during the period in which they are incurred.

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

The estimated useful lives range as follows:

Plant and machinery	-	5-10 years
Motor vehicles	-	4 years
Fixtures and fittings	-	3-10 years

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 'other operating income' in the statement of comprehensive income.

1.7 Impairment of fixed assets and goodwill

Assets that are subject to depreciation or amortisation are assessed at each reporting date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets that have been previously impaired are reviewed at each reporting date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased. The directors have considered the value of the goodwill and assessed that there is no longer a value attributable.

1.8 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, less provisions for losses where necessary and less progress claims received and receivable.

At each reporting date, inventories are assessed for impairment. If inventory 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.

1 Accounting policies *(continued)*

1.9 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.

1.10 Financial instruments

The Company only enters into basic financial instruments 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, loans to related parties and investments in non-puttable ordinary shares.

Financial assets

Financial assets comprise cash at bank and in hand, trade debtors, other debtors, and amounts owed by group undertakings; these are initially recorded at cost on the date they originate and are subsequently recorded at amortised cost under the effective interest method.

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, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the reporting date.

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position 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.

Financial liabilities

Financial liabilities comprise trade creditors, other creditors, amounts owed to group undertakings and accruals. These are initially recorded at cost on the date they originate, and are subsequently carried at amortised cost under the effective interest method.

1.11 Foreign currency translation

The functional and presentational currency of the company is GBP.

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.

1 Accounting policies *(continued)*

1.11 Foreign currency translation *(continued)*

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of Comprehensive Income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Statement of Comprehensive Income within 'other operating income'.

1.12 Operating leases: Lessee

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

1.13 Pension

The company is a participating employer in the Carter Executive Pension Plan and the Carter Money Purchase Plan. Details of the most recent actuarial valuation of the Carter Executive Pension Plan is set out in the financial statements of the parent company, Carter Thermal Industries Limited.

Retirement benefits to employees are provided by defined benefit and contribution schemes which are funded by contributions from the company and employees. Payments are made either to pension trusts which are financially separate from the company or to insurance companies. Payments to the defined benefit scheme which are made in accordance with periodic calculations by professionally qualified actuaries are charged to the profit and loss account. As the company's share of the net assets and liabilities of the group scheme cannot be separately identified, the company accounts for its pension contributions to the group on a defined contribution basis.

Contributions to the defined contribution and defined benefit pension schemes are charged to profit or loss in the year in which they become payable.

Carter Money Purchase Plan ceased to accept contributions with effect from 1 July 2018 and all members' benefits were transferred to National Pensions Trust on 18 September 2018.

1.14 Holiday pay accrual

A liability is recognised to the extent of any unused holiday pay entitlement which has 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 and accrued at the balance sheet date.

1.15 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 Statement of Comprehensive Income in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Statement of Financial Position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of Financial Position.

1 **Accounting policies** *(continued)*

1.16 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income, except that a change 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 reporting date in the countries where the Company operates and generates income.

Deferred balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of Financial Position 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 income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

1.17 Government grants

Grants are accounted under the accruals model as permitted by FRS 102. Grants relating to expenditure on tangible fixed assets are credited to profit or loss 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 Statement of comprehensive income in the same period as the related expenditure.

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

In preparing these financial statements, the directors have had to make judgements, estimates and assumptions that effect the application of policies and reported amounts of assets, liabilities, income and expenses.

The estimates and associated assumptions are based on historic experiences and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities and are not readily apparent from other sources. Actual results may differ from these estimates. The judgements, estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are:

Tangible fixed assets

Tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In reassessing asset lives, factors such as technological innovation, product life cycles 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.

2 Judgements in applying accounting policies and key sources of estimation uncertainty *(continued)*

Stock provisions

At each reporting date stock is 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 Statement of Comprehensive Income.

Trade debtors

At each reporting date, trade debtors are assessed for recoverability. If there is any evidence of impairment the carrying amount of the debtor is reduced to its recoverable amount. The impairment loss is recognised immediately in the Statement of Comprehensive Income.

Warranty provision

The company provides for costs which the company is expected to incur on certain sales. The provision is management's best estimate of the claims which are likely to be made within the forthcoming annual guarantee period. The guarantee period is typically one year in duration.

3 Turnover

	2020 £	2019 £
Analysis by class of geographical market:		
United Kingdom	**8,027,056**	8,510,139
Europe	**1,427,151**	1,445,214
Rest of the world	**968,532**	1,038,481
	10,422,739	10,993,834

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

	2020 £	2019 £
Sale of goods and integrated services	**10,422,739**	10,993,834
	10,422,739	10,993,834

Turnover is wholly attributable to the principal activity of the company.

4 Operating profit

	2020 £	2019 £
This is arrived at after charging:		
Research and development charged as an expense	**2,981**	893
Operating lease expense	**27,827**	26,925
Depreciation of tangible fixed assets	**37,231**	57,633
Exchange differences	**5,194**	358
Defined contribution pension cost	**96,091**	111,995

5 Auditor's remuneration

	2020 £	2019 £
Fees payable to the company's auditor for the auditing of the company's annual accounts	**10,875**	9,750

The company has taken advantage of the exemption to disclose the amount paid for non-audit services. These are disclosed in the consolidated accounts of the parent entity.

6 Employees

	2020 £	2019 £
Staff costs consist of:		
Wages and salaries	**1,958,753**	1,892,577
Social security costs	**205,798**	177,395
Other pension costs	**96,091**	111,995
	2,260,642	2,181,967

The average number of employees (including the directors) during the year was as follows:	Number	Number
Production	**18**	20
Administration	**27**	25
	45	45

7 Directors' remuneration

	2020 £	2019 £
Directors' emoluments	**67,395**	65,388
Employer national insurance contributions	**7,413**	4,549
Company contribution to the group personal pension plan	**5,855**	8,675

Certain directors are remunerated by parent company, Carter Thermal Industries Limited and their remuneration is shown within the parent's financial statements, as it is not possible to allocate their remuneration to individual subsidiaries. The above remuneration and other matters contained within this note relate to directors directly remunerated through this company only.

There is 1 director in the company's defined contribution pension scheme (2019 - 1) during the year.

The total amount payable to the highest paid director in respect of emoluments was £80,663 (2019 - £78,612). The highest paid director is a member of a defined contribution scheme.

8 Other operating income

	2020	2019
	£	£
Government grants receivable	**137,012**	-
Research and development credit (RDec)	**83,987**	-
	220,999	-

Government grants receivable represent amounts receivable under the Government's job retention scheme introduced as part of the Covid measures in respect of staff furloughed.

9 Interest receivable

	2020	2019
	£	£
Other interest receivable	**3,123**	1,946

10 Interest payable and similar expenses

	2020	2019
	£	£
Other interest payable	**22,478**	81,000

11 Taxation

	2020	2019
	£	£
UK Corporation tax		
Current tax on profit for the year	**76,799**	71,184
Adjustments in respect of previous periods	**-**	3,172
Total current tax	**76,799**	74,356
Deferred tax		
Origination and reversal of timing differences	**4,224**	(9,464)
Effect of change in tax rate	**(3,653)**	-
Adjustment in respect of prior year	**12,258**	(554)
Total deferred tax	**12,829**	(10,018)
Taxation on profit on ordinary activities	**89,628**	64,338

11 *Taxation (continued)*

The tax assessed for the year is lower than (2019 – higher than) the standard rate of corporation tax in the UK of 19% (2019 – 19%). The differences are explained below:

	2020 £	2019 £
Profit on ordinary activities before tax	**502,839**	255,262
Profit on ordinary activities at the standard rate of corporation tax in the UK of 19% (2019 – 19.0%)	**95,539**	48,500
Effects of:		
(Income)/Expenses not deductible for tax purposes	**(15,958)**	12,107
Adjustment to tax charge in respect of prior periods	**8,605**	2,618
Other	**1,442**	1,113
Total tax charge for the year	**89,628**	64,338

Factors that may affect future tax charges

The standard rate of UK corporation tax enacted at the year end was 19%. Accordingly, these rates have been used in the calculation of deferred tax balances as at 31 December 2020. Post year end, in the Spring budget of 2021, the government announced that the standard rate of corporation tax will increase to 25% from 1 April 2023.

12 Intangible fixed assets

	Purchased goodwill £
Cost	
At 1 January 2020 and 31 December 2020	**72,380**
Amortisation	
At 1 January 2020 and 31 December 2020	(72,380)
Net book value	
At 31 December 2020 and 31 December 2019	-

Franklin Hodge Industries Limited

13 Tangible assets

	Plant and machinery £	Motor vehicles £	Fixtures and fittings £	Total £
Cost or valuation				
At 1 January 2020	102,143	286,981	129,185	518,309
Additions	-	74,009	-	74,009
Disposals	-	(110,256)	-	(110,256)
At 31 December 2020	**102,143**	**250,734**	**129,185**	**482,062**
Depreciation				
At 1 January 2020	85,054	272,039	122,321	479,414
Charge for the year	5,020	27,794	4,417	37,231
Disposals	-	(110,256)	-	(110,256)
At 31 December 2020	**90,074**	**189,577**	**126,738**	**406,389**
Net book value				
At 31 December 2020	**12,069**	**61,157**	**2,447**	**75,673**
At 31 December 2019	17,089	14,942	6,864	38,895

14 Stocks

	2020 £	2019 £
Raw materials and consumables	**472,124**	1,200
Work in progress	**525,616**	183,734
	997,740	184,934

An impairment loss of £22,384 (2019 - £Nil) was recognised in cost of sales against stock during the year due to slow-moving and obsolete stock.

There is no material difference between the replacement cost of stocks and the amounts stated above.

15 Debtors

	2020 £	2019 £
Trade debtors	**2,943,943**	2,562,809
Amount owed by group undertakings	**2,032**	-
Other debtors	**228,492**	42,689
Prepayments and accrued income	**108,125**	13,244
Deferred taxation	**18,218**	31,047
	3,300,810	2,649,789

All amounts shown under debtors fall due for payment within one year.

The impairment loss recognised for the period in respect of bad and doubtful debts was £17,485 (2019 - £19,522).

16 Creditors: amounts falling due within one year

	2020 £	2019 £
Payments received on account	**557,647**	197,052
Trade creditors	**669,970**	212,168
Amounts owed to group undertakings	**2,749,275**	2,337,783
Other taxation and social security	**107,345**	102,306
Group relief payable	**76,799**	117,976
Other creditors	**79,855**	57,520
Accruals and deferred income	**467,324**	173,219
CMA fine payable	-	371,099
	4,708,215	3,569,123

17 Reserves

Profit & loss account

All other net gains and losses and transactions with owners (e.g. dividends) not recognised elsewhere.

Share capital

£1 Ordinary shares which are allotted, called up and fully paid.

18 Deferred taxation

	Deferred Tax £
At 1 January 2020	31,047
Charged to the income statement	(12,829)
At 31 December 2020	**18,218**

The deferred tax asset is made up as follows:	**2020 £**	**2019 £**
Decelerated capital allowances	**3,921**	14,354
Short term timing differences	**14,287**	1,378
Tax losses	**-**	15,315
	18,218	31,047

19 Provisions for liabilities

	Warranty Cost £
At 1 January 2020	17,989
Charged in year	57,500
Utilised in year	(17,989)
At 31 December 2020	**57,500**

The warranty provision is for is costs which the company is expected to incur under guarantee on certain sales. The guarantee period is typically one year in duration.

20 Share capital

	2020 £	**2019 £**
Allotted, called up and fully paid		
2,500 ordinary shares of £1 each	**2,500**	2,500

21 Pension commitments

The company participates in the group defined benefit scheme, the Carter Executive Plan. The scheme is closed to new members and future accrual. As the schemes assets and liabilities are managed on a unified basis, it is not possible to identify the company's share of assets and liabilities in the defined benefit scheme on a consistent and reasonable basis. Therefore, in accordance with FRS 102, the scheme is accounted for as if it was a defined contribution scheme.

Contributions are paid to the trustees of the Group Scheme on the basis of advice from an independent professionally qualified actuary who carries out a valuation of the Group Schemes every three years. The most recent formal valuation of Carter Executive Plan as at 31 December 2017 and was updated on an approximate basis to 31 December 2020 by a qualified actuary. The parent company is currently in the process of conducting a formal updated valuation.

Contributions made by the company to the Carter Executive Plan amounted to £Nil (2019 - £Nil) as all contributions are made by the parent entity.

The valuation of the scheme at 31 December 2020, calculated by the actuary on an FRS 102 projected unit basis, shows a surplus on the Carter Executive Plan of £954,519 (2019 - £1,024,519).

Directors expect future contributions to be consistent with those made in the current year.

For the purpose of these accounts, these figures are illustrative only and do not impact on the result or the statement of financial position of the company. It should also be noted that these figures include a proportion of pension assets and liabilities relating to other group companies which also participate in the scheme. It has not been possible to identify the share of the deficits which relates solely to Franklin Hodge Industries Limited. Full details of the pension schemes are given in the accounts of the immediate parent company.

The company also operates a defined contribution scheme. Payments to the defined contribution scheme amounted to £96,091 (2019 - £111,995)

22 Contingent liabilities

The company has given an unlimited guarantee in respect of the group banking facility which amounted to £10,973,812 at 31 December 2020 (2019 - £12,419,019). Details of the banking facility are given in the financial statements of Carter Thermal Industries Limited.

23 Commitments under operating leases

At 31 December 2020 the company had annual commitments under non-cancellable operating leases as follows:

	2020	**2019**
	£	**£**
Not later than 1 year	**27,000**	20,250
Later than 1 year and not later than 5 years	**108,000**	-
Later than 5 years	**263,250**	-
	398,250	20,250

24 Related party transactions

The company is a wholly owned subsidiary of Carter Thermal Industries Limited and has taken advantage of the exemption conferred by section 33.1A of FRS 102 not to disclose transactions with Carter Thermal Industries Limited or other wholly owned subsidiaries within the group.

Key management personnel represent the directors of the company as they have responsibility for planning, directing and controlling the activities of the entity, directly or indirectly. During the period, the key management personnel remuneration included within directors' remuneration was £80,663 (2019 - £78,612) (see note 7).

25 Ultimate parent company and parent undertaking of larger group

The immediate parent company is Carter Thermal Industries Limited.

The ultimate parent company and controlling party is Longdon Estates Limited, a company registered in England and Wales. Copies of the group financial statements of Longdon Estates may be obtained from The Registrar of Companies, Companies House, Crown Way, Maindy, Cardiff, CF14 3UZ.

The largest group in which the results of the company are consolidated is that headed by Longdon Estates Limited, incorporated in England and Wales. The smallest group in which they are consolidated is that headed by Carter Thermal Industries Limited, incorporated in England and Wales. The consolidated accounts are available to the public and may be obtained from the above address.