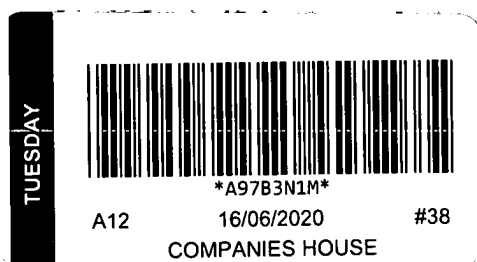


REGISTERED NUMBER: 06353159 (England and Wales)

**Group Strategic Report,
Report of the Directors and
Consolidated Financial Statements
for the Year Ended 29 February 2020
for
Royston Power Generation Limited**



**Contents of the Consolidated Financial Statements
for the Year Ended 29 February 2020**

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Royston Power Generation Limited

**Company Information
for the Year Ended 29 February 2020**

DIRECTORS:

L J Brown
S Wade
N S Graham
G R Denholm

SECRETARY:

G R Denholm

REGISTERED OFFICE:

Unit 3
Walker Riverside
Wincomblee Road
NEWCASTLE UPON TYNE
Tyne and Wear
NE6 3PF

REGISTERED NUMBER:

06353159 (England and Wales)

SENIOR STATUTORY AUDITOR: Kevin Shotton BA BFP FCA

AUDITORS:

Clive Owen LLP
Chartered Accountants
& Statutory Auditors
140 Coniscliffe Road
DARLINGTON
County Durham
DL3 7RT

**Group Strategic Report
for the Year Ended 29 February 2020**

The directors present their strategic report of the company and the group for the year ended 29 February 2020.

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The group's principal activity is the sale, service and repair of diesel generators, engines and associated components.

The group achieved encouraging growth in the financial year. Margins remained healthy, but as result of increased spare parts activity, reduced in comparison to previous year. Investment in business development and product development, to support future growth, increased overheads significantly. In addition, a general bad debt provision has been booked as an anticipated consequence of the COVID-19 pandemic. As a result, profitability has reduced but remains significant. The company's cash and net assets position consequently also improved significantly.

The group's financial performance indicators during the year were as follows:

	2020	2019	% Change
	£	£	
Turnover	22,837,494	20,628,480	10.7%
Gross profit per employee	76,839	77,813	-1.3%
Working capital as % of Gross profit	1.6%	6.3%	-4.7%

FUTURE DEVELOPMENTS

The directors anticipate that the COVID-19 pandemic will have an impact on the results of the group in the financial year 2021, normal activity levels are expected to return in the second half end of the financial year. The directors believe the business will remain profitable, albeit at a reduced level, and has the cash reserves to weather the downturn. Consequently, the directors believe that the group is well placed to achieve growth and increased profitability in future years.

PRINCIPAL RISKS AND UNCERTAINTIES

The group operates in a competitive market. There are risks in tendering which the company feels are met positively by the cost effective service which it operates, and the quality of this service. Additionally, it is focused on strong value added business relationships with its customers and suppliers.

The group's principal financial investments comprise cash, cash equivalents and loans. Other financial assets and liabilities, such as trade creditors and trade debtors, arise directly from the group's operating activities.

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

Interest rate risk

The interest rates on the group's bank facilities are fixed annually. The interest rate on finance leases entered into is fixed for the term of the agreement at the time it is entered into. The group's interest income and expenses can therefore be affected by movements in interest rates. The group does not undertake any hedging activity.

**Group Strategic Report
for the Year Ended 29 February 2020**

Credit risk

The group has external debtors; however, the company undertakes assessments of its customers in order to ensure that credit is not extended where there is a likelihood of default. The group also has credit insurance in place to reduce its exposure to unexpected defaults.

Liquidity risk

The group aims to mitigate liquidity risk by managing cash generated by its operations.

ON BEHALF OF THE BOARD:



G R Denholm - Director

4 June 2020

**Report of the Directors
for the Year Ended 29 February 2020**

The directors present their report with the financial statements of the company and the group for the year ended 29 February 2020.

DIVIDENDS

The total distribution of dividends for the year ended 29 February 2020 will be £53,777.

DIRECTORS

The directors shown below have held office during the whole of the period from 1 March 2019 to the date of this report.

L J Brown
S Wade
N S Graham
G R Denholm

DIRECTORS' THIRD PARTY INDEMNITIES

The company has made qualifying third party indemnity provisions for the benefit of its directors which were renewed during the year and remain in force at the date of this report.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

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

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

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

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

AUDITORS

The auditors, Clive Owen LLP, are deemed to be reappointed under section 487(2) of the Companies Act 2006.

ON BEHALF OF THE BOARD:



G R Denholm - Director

4 June 2020

Report of the Independent Auditors to the Members of Royston Power Generation Limited

Opinion

We have audited the financial statements of Royston Power Generation Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 29 February 2020 which comprise the Consolidated Profit and Loss Account, Consolidated Other Comprehensive Income, Consolidated Balance Sheet, Company Balance Sheet, Consolidated Statement of Changes in Equity, Company Statement of Changes in Equity, Consolidated Cash Flow Statement and Notes to the Consolidated Cash Flow Statement, Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company affairs as at 29 February 2020 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether 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.

Opinions on other matters prescribed by the Companies Act 2006

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

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

**Report of the Independent Auditors to the Members of
Royston Power Generation Limited**

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the Group Strategic Report or the Report of the Directors.

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; 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' exemption from the requirement to prepare a Strategic Report or in preparing the Report of the Directors.

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities set out on page four, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent 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 group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

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

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 Report of the Auditors.

Use of our report

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



Kevin Shotton BA BFP FCA (Senior Statutory Auditor)
for and on behalf of Clive Owen LLP
Chartered Accountants
& Statutory Auditors
140 Coniscliffe Road
DARLINGTON
County Durham
DL3 7RT

4 June 2020

Royston Power Generation Limited (Registered number: 06353159)

**Consolidated Profit and Loss Account
for the Year Ended 29 February 2020**

	Notes	2020 £	2019 £
TURNOVER	3	22,837,494	20,628,480
Cost of sales		(16,306,206)	(14,559,055)
GROSS PROFIT		6,531,288	6,069,425
Administrative expenses		(5,204,797)	(4,526,938)
		1,326,491	1,542,487
Other operating income		37,764	287,158
OPERATING PROFIT	5	1,364,255	1,829,645
Interest payable and similar expenses	6	(25,547)	(44,143)
PROFIT BEFORE TAXATION		1,338,708	1,785,502
Tax on profit	7	(85,162)	(268,019)
PROFIT FOR THE FINANCIAL YEAR		1,253,546	1,517,483
Profit attributable to: Owners of the parent		1,253,546	1,517,483

The notes form part of these financial statements

Royston Power Generation Limited (Registered number: 06353159)

**Consolidated Other Comprehensive Income
for the Year Ended 29 February 2020**

	Notes	2020 £	2019 £
PROFIT FOR THE YEAR		1,253,546	1,517,483
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>1,253,546</u>	<u>1,517,483</u>
Total comprehensive income attributable to: Owners of the parent		<u>1,253,546</u>	<u>1,517,483</u>

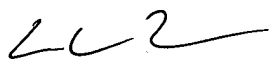
The notes form part of these financial statements

Royston Power Generation Limited (Registered number: 06353159)

**Consolidated Balance Sheet
29 February 2020**

	Notes	2020		2019	
		£	£	£	£
FIXED ASSETS					
Intangible assets	10		425,132		249,560
Tangible assets	11		832,797		753,069
Investments	12		-		-
			<u>1,257,929</u>		<u>1,002,629</u>
CURRENT ASSETS					
Stocks	13	1,214,411		1,527,076	
Debtors	14	2,823,998		3,344,295	
Cash at bank		<u>3,077,259</u>		<u>1,979,841</u>	
		7,115,668		6,851,212	
CREDITORS					
Amounts falling due within one year	15	<u>3,958,968</u>		<u>4,528,049</u>	
NET CURRENT ASSETS			<u>3,156,700</u>		<u>2,323,163</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			4,414,629		3,325,792
CREDITORS					
Amounts falling due after more than one year	16		(1,606)		(28,706)
PROVISIONS FOR LIABILITIES	19		<u>(74,304)</u>		<u>(145,895)</u>
NET ASSETS			<u><u>4,338,719</u></u>		<u><u>3,151,191</u></u>
CAPITAL AND RESERVES					
Called up share capital	20		244,828		244,828
Retained earnings			<u>4,093,891</u>		<u>2,906,363</u>
SHAREHOLDERS' FUNDS			<u><u>4,338,719</u></u>		<u><u>3,151,191</u></u>

The financial statements were approved by the Board of Directors and authorised for issue on 4 June 2020 and were signed on its behalf by:



G R Denholm - Director

The notes form part of these financial statements

Royston Power Generation Limited (Registered number: 06353159)

**Company Balance Sheet
29 February 2020**

	Notes	2020	2019
		£	£
FIXED ASSETS			
Intangible assets	10	-	-
Tangible assets	11	-	-
Investments	12	1,447,232	1,421,647
		<u>1,447,232</u>	<u>1,421,647</u>
CURRENT ASSETS			
Debtors	14	4,618	2,192
Cash at bank		1	1
		<u>4,619</u>	<u>2,193</u>
CREDITORS			
Amounts falling due within one year	15	806,738	817,981
		<u>806,738</u>	<u>817,981</u>
NET CURRENT LIABILITIES		<u>(802,119)</u>	<u>(815,788)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>645,113</u>	<u>605,859</u>
CAPITAL AND RESERVES			
Called up share capital	20	244,828	244,828
Retained earnings		400,285	361,031
		<u>645,113</u>	<u>605,859</u>
SHAREHOLDERS' FUNDS		<u>645,113</u>	<u>605,859</u>
Company's profit for the financial year		<u>93,031</u>	<u>99,965</u>

The financial statements were approved by the Board of Directors and authorised for issue on 4 June 2020 and were signed on its behalf by:



G R Denholm - Director

The notes form part of these financial statements

**Consolidated Statement of Changes in Equity
for the Year Ended 29 February 2020**

	Called up share capital £	Retained earnings £	Total equity £
Balance at 1 March 2018	244,828	1,447,222	1,692,050
Changes in equity			
Dividends	-	(43,080)	(43,080)
Total comprehensive income	-	1,517,483	1,517,483
Foreign currency translation	-	(15,262)	(15,262)
Balance at 28 February 2019	<u>244,828</u>	<u>2,906,363</u>	<u>3,151,191</u>
Changes in equity			
Dividends	-	(53,777)	(53,777)
Total comprehensive income	-	1,253,546	1,253,546
Foreign currency translation	-	(12,241)	(12,241)
Balance at 29 February 2020	<u><u>244,828</u></u>	<u><u>4,093,891</u></u>	<u><u>4,338,719</u></u>

The notes form part of these financial statements

Royston Power Generation Limited (Registered number: 06353159)

**Company Statement of Changes in Equity
for the Year Ended 29 February 2020**

	Called up share capital £	Retained earnings £	Total equity £
Balance at 1 March 2018	244,828	304,146	548,974
Changes in equity			
Dividends	-	(43,080)	(43,080)
Total comprehensive income	-	99,965	99,965
	<hr/>	<hr/>	<hr/>
Balance at 28 February 2019	244,828	361,031	605,859
	<hr/>	<hr/>	<hr/>
Changes in equity			
Dividends	-	(53,777)	(53,777)
Total comprehensive income	-	93,031	93,031
	<hr/>	<hr/>	<hr/>
Balance at 29 February 2020	244,828	400,285	645,113
	<hr/>	<hr/>	<hr/>

The notes form part of these financial statements

Royston Power Generation Limited (Registered number: 06353159)

**Consolidated Cash Flow Statement
for the Year Ended 29 February 2020**

	Notes	2020 £	2019 £
Cash flows from operating activities			
Cash generated from operations	1	1,957,194	2,157,896
Interest paid		(25,547)	(44,143)
Tax paid		(249,162)	(104,362)
Net cash from operating activities		<u>1,682,485</u>	<u>2,009,391</u>
Cash flows from investing activities			
Purchase of intangible fixed assets		(272,586)	(282,791)
Purchase of tangible fixed assets		(239,324)	(103,973)
Interest received		24,233	11,308
Loss on joint venture		(3,978)	(17,344)
Net cash from investing activities		<u>(491,655)</u>	<u>(392,800)</u>
Cash flows from financing activities			
New HP in year		-	17,460
Loan repayments in year		-	(206,616)
Capital repayments in year		(39,635)	(35,839)
Equity dividends paid		(53,777)	(43,080)
Net cash from financing activities		<u>(93,412)</u>	<u>(268,075)</u>
Increase in cash and cash equivalents		<u>1,097,418</u>	<u>1,348,516</u>
Cash and cash equivalents at beginning of year	2	<u>1,979,841</u>	<u>631,325</u>
Cash and cash equivalents at end of year	2	<u><u>3,077,259</u></u>	<u><u>1,979,841</u></u>

The notes form part of these financial statements

Notes to the Consolidated Cash Flow Statement
for the Year Ended 29 February 2020

1. RECONCILIATION OF PROFIT BEFORE TAXATION TO CASH GENERATED FROM OPERATIONS

	2020 £	2019 £
Profit before taxation	1,338,708	1,785,502
Depreciation charges	254,509	217,230
Loss on disposal of fixed assets	526	48,767
Foreign exchange	(10,666)	(14,211)
Interest received	(24,233)	(11,308)
Loss on joint venture	3,978	17,344
Disposal of joint venture	(52,075)	-
Government grants	(92,920)	-
Finance costs	25,547	44,143
	<u>1,443,374</u>	<u>2,087,467</u>
Decrease/(increase) in stocks	312,665	(315,153)
Decrease/(increase) in trade and other debtors	613,217	(722,810)
(Decrease)/increase in trade and other creditors	(412,062)	1,108,392
	<u>1,957,194</u>	<u>2,157,896</u>
Cash generated from operations	<u>1,957,194</u>	<u>2,157,896</u>

2. CASH AND CASH EQUIVALENTS

The amounts disclosed on the Cash Flow Statement in respect of cash and cash equivalents are in respect of these Balance Sheet amounts:

Year ended 29 February 2020

	29.2.20 £	1.3.19 £
Cash and cash equivalents	<u>3,077,259</u>	<u>1,979,841</u>

Year ended 28 February 2019

	28.2.19 £	1.3.18 £
Cash and cash equivalents	<u>1,979,841</u>	<u>631,325</u>

3. ANALYSIS OF CHANGES IN NET FUNDS

	At 1.3.19 £	Cash flow £	At 29.2.20 £
Net cash			
Cash at bank	<u>1,979,841</u>	<u>1,097,418</u>	<u>3,077,259</u>
	<u>1,979,841</u>	<u>1,097,418</u>	<u>3,077,259</u>
Debt			
Finance leases	<u>(68,341)</u>	<u>39,635</u>	<u>(28,706)</u>
	<u>(68,341)</u>	<u>39,635</u>	<u>(28,706)</u>
Total	<u>1,911,500</u>	<u>1,137,053</u>	<u>3,048,553</u>

The notes form part of these financial statements

Notes to the Consolidated Financial Statements
for the Year Ended 29 February 2020

1. **STATUTORY INFORMATION**

Royston Power Generation Limited is a private company, limited by shares, registered in England and Wales. The company's registered number and registered office address can be found on the General Information page.

2. **ACCOUNTING POLICIES**

Basis of preparing the financial statements

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

There were no material departures from that standard.

The principal accounting policies adopted in the preparation of the financial statements are set out below and have remained unchanged from the previous year, and also have been consistently applied within the same accounts.

Going concern

Due to the on going COVID-19 pandemic the directors have prepared detailed cashflow, profit and loss and balance sheet forecasts for the up coming financial year which have been prudently prepared envisaging a reduction in sales for the period. The forecasts assume a reduction in overheads base to reflect reduced trading activity along with claims made through the governments furlough scheme. These forecasts show the group is able to meet debts as they fall due without requiring access to the governments Coronavirus Business Interruption Loan scheme (CBILS) or other forms of financing.

The financial statements are prepared on the going concern basis which assumes that the group will continue to trade. If the group is unable to continue to trade, adjustments would be required to reduce the value of assets to their recoverable amounts, to provide for any further liabilities that might arise and to analyse long term liabilities as current liabilities.

Significant judgements and estimates

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities at the balance sheet date, and the amounts reported for revenue and expenses during the period. However, the nature of estimation means that actual outcomes could differ from those estimates. The following judgements and estimates have had the most significant effect on the financial statements:

Stock provision

The group holds a significant amount of stock to satisfy customer demands. A provision is calculated for obsolete stock based on projected future usage.

Warranty provision

The group makes a provision in respect of warranties based upon historical levels.

Impairment of fixed asset investments

The group has investments in a number of subsidiary companies and a joint venture. These investments are held at cost less any provision for impairment. Management considered it prudent to provide an impairment in full against the joint venture in 2018.

The directors have assessed the carrying value of investments in light of the COVID-19 pandemic and have concluded based on anticipated future trading that there is no further impairment of any investments.

Bad debt provision

The directors have deemed the COVID-19 pandemic to have been a known event at the balance sheet date and as such have provided a general provision to reflect the expected change in customers circumstances. This provision is in addition to any specific provisions against debts deemed irrecoverable.

**Notes to the Consolidated Financial Statements - continued
for the Year Ended 29 February 2020**

2. ACCOUNTING POLICIES - continued

Significant judgements and estimates (continued)

Share options

Estimating fair value for share option transactions requires determination of the most appropriate binomial model, which depends on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected vesting period of the share options, the likelihood of a transaction in the shares of the parent company and employees remaining in employment and making assumptions about them. For the measurement of the fair value of equity-settled transactions with employees at the grant date, the Group uses a binomial model. The cost is not considered material to the financial statements at the year end. Further details are provided in note 24.

Turnover

Turnover is measured at the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes.

Income recognition

Turnover from the sale of goods is recognised when the significant risks and rewards of ownership of the goods has transferred to the buyer. This is usually at the point that the goods have been despatched.

Turnover from the rendering of services is recognised when the outcome of a transaction can be estimated reliably and by reference to the stage of completion at the balance sheet date. Where the outcome cannot be measured reliably, turnover is recognised only to the extent of the expenses recognised that are recoverable.

Goodwill

Goodwill, being the amount paid in connection with the acquisition of a business in 2008, is being amortised evenly over its estimated useful life of ten years.

Goodwill arising on the acquisition of subsidiary undertakings and businesses, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and amortised on a straight line basis over its useful economic life, which is 10 years. Goodwill is reviewed for impairment at the end of the first full financial year following the acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

The carrying values of goodwill are reviewed in periods if events or changes in circumstances indicate the carrying values may not be recoverable. Having performed impairment reviews for certain businesses within the group, the directors are satisfied that no impairment of goodwill has occurred.

Intangible assets

Intangible assets are initially recognised at cost. After initial recognition, intangible assets are measured at cost less any accumulated amortisation and accumulated impairment losses.

Development costs are being amortised at 25% on a reducing balance basis.

Tangible fixed assets

Tangible fixed assets are stated at cost net of depreciation and any provision for impairment.

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

Short leasehold	- over remaining period of lease
Fixtures & fittings, plant and machinery and motor vehicles	- 15 - 32% on reducing balance and 10 - 25% on cost

Stocks

Stocks are valued at the lower of cost and net realisable value. Raw materials purchase cost is determined on a first-in, first-out basis. Work in progress is valued at the cost of direct materials and labour. Net realisable value is based on the estimated selling price less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow-moving or defective items where appropriate.

Notes to the Consolidated Financial Statements - continued
for the Year Ended 29 February 2020

2. ACCOUNTING POLICIES - continued

Financial instruments

Basic financial instruments are recognised at amortised cost with changes recognised in profit or loss.

Taxation

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

Current or deferred taxation assets and liabilities are not discounted.

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

Deferred tax

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

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

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

Foreign currencies

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

Hire purchase and leasing commitments

Assets obtained under hire purchase contracts or finance leases are capitalised in the balance sheet. Those held under hire purchase contracts or finance lease are depreciated over their estimated useful lives.

The interest element of these obligations is charged to profit or loss over the relevant period. The capital element of the future payments is treated as a liability.

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

Pension costs and other post-retirement benefits

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

Trade debtor financing arrangements

Trade debtor financing arrangements with full recourse are accounted for in accordance with separate presentation requirements.

**Notes to the Consolidated Financial Statements - continued
for the Year Ended 29 February 2020**

2. ACCOUNTING POLICIES - continued

Share options

Employees (including Directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments.

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using the Binomial model.

That cost would be recognised as Directors remuneration, together with a corresponding increase in equity, over the period in which the service and, where applicable, the performance conditions are fulfilled (the vesting period). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the statement of profit or loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest.

The cost is not considered material to the financial statements at the year end.

3. TURNOVER

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

An analysis of turnover by geographical market is given below:

	2020	2019
	£	£
United Kingdom	8,192,419	9,813,484
Rest of Europe	1,603,907	570,520
Africa, Asia and Middle East	10,826,260	7,855,448
Americas	560,068	500,370
Australia	1,654,840	1,888,658
	<u>22,837,494</u>	<u>20,628,480</u>

Notes to the Consolidated Financial Statements - continued
for the Year Ended 29 February 2020

4. **EMPLOYEES AND DIRECTORS**

	2020	2019
	£	£
Wages and salaries	4,992,408	4,276,046
Social security	350,079	393,769
Pension costs	140,985	116,149
	<u>5,483,472</u>	<u>4,785,964</u>

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

	2020	2019
Production staff	47	43
Sales and administration	38	35
	<u>85</u>	<u>78</u>

	2020	2019
	£	£
Directors' remuneration	593,331	683,836
Pension costs	10,874	10,551
	<u>604,205</u>	<u>694,387</u>

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

	2020	2019
Money purchase schemes	4	4

Two directors received shares under long term incentive schemes (2019 - no directors)

The highest paid director was paid £180,257 (2019: £192,653).

5. **OPERATING PROFIT**

The operating profit is stated after charging:

	2020	2019
	£	£
Operating lease rentals - plant and machinery	124,791	112,844
Operating lease rentals - land and buildings	102,777	103,045
Depreciation of owned fixed assets	141,897	193,546
Depreciation of leased assets	15,598	16,084
(Profit)/Loss on disposal of fixed assets	(526)	48,767
Goodwill amortisation	-	7,600
Auditors remuneration - audit services	19,150	12,900
Auditors remuneration - other non audit services	3,725	3,500

Notes to the Consolidated Financial Statements - continued
for the Year Ended 29 February 2020

6. INTEREST PAYABLE AND SIMILAR EXPENSES

	2020	2019
	£	£
Hire purchase interest	3,238	5,518
Other loan interest	-	10,897
Other interest	22,309	27,728
	<u>25,547</u>	<u>44,143</u>

7. TAXATION

Analysis of the tax charge

The tax charge on the profit for the year was as follows:

	2020	2019
	£	£
Current tax:		
UK corporation tax	139,305	227,889
Overseas taxation	17,448	-
Total current tax	<u>156,753</u>	<u>227,889</u>
Deferred tax	(71,591)	40,130
Tax on profit	<u>85,162</u>	<u>268,019</u>

Reconciliation of total tax charge included in profit and loss

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

	2020	2019
	£	£
Profit before tax	<u>1,338,708</u>	<u>1,785,502</u>
Profit multiplied by the standard rate of corporation tax in the UK of 19% (2019 - 19%)	254,355	339,245
Effects of:		
Expenses not deductible for tax purposes	50,046	6,928
Capital allowances in excess of depreciation	(73,015)	-
Depreciation in excess of capital allowances	-	62,220
Overseas tax adjustments	(4,086)	(4,680)
Research and development	(139,044)	(128,893)
Impact of overseas taxes	6,800	(6,801)
Disposal of joint venture	(9,894)	-
Total tax charge	<u>85,162</u>	<u>268,019</u>

8. INDIVIDUAL PROFIT AND LOSS ACCOUNT

As permitted by Section 408 of the Companies Act 2006, the Profit and loss account of the parent company is not presented as part of these financial statements.

The profit on ordinary activities after taxation dealt with in the financial statements of the parent undertaking was £93,031 (2019: £99,965).

Notes to the Consolidated Financial Statements - continued
for the Year Ended 29 February 2020

9. **DIVIDENDS**

	2020	2019
	£	£
Interim	<u>53,777</u>	<u>43,080</u>

10. **INTANGIBLE FIXED ASSETS**

Group

	Goodwill £	Development costs £	Totals £
COST			
At 1 March 2019	294,407	282,791	577,198
Additions	-	272,586	272,586
At 29 February 2020	<u>294,407</u>	<u>555,377</u>	<u>849,784</u>
AMORTISATION			
At 1 March 2019	294,407	33,231	327,638
Amortisation for year	-	97,014	97,014
At 29 February 2020	<u>294,407</u>	<u>130,245</u>	<u>424,652</u>
NET BOOK VALUE			
At 29 February 2020	<u>-</u>	<u>425,132</u>	<u>425,132</u>
At 28 February 2019	<u>-</u>	<u>249,560</u>	<u>249,560</u>

Notes to the Consolidated Financial Statements - continued
for the Year Ended 29 February 2020

11. TANGIBLE FIXED ASSETS

Group

	Short leasehold £	Plant & machinery, fixtures & fittings and motor vehicles £	Totals £
COST			
At 1 March 2019	393,790	2,168,420	2,562,210
Additions	1,780	237,544	239,324
Disposals	-	(607)	(607)
Exchange differences	(1,416)	(7,956)	(9,372)
At 29 February 2020	394,154	2,397,401	2,791,555
DEPRECIATION			
At 1 March 2019	194,427	1,614,714	1,809,141
Charge for year	27,650	129,845	157,495
Eliminated on disposal	-	(81)	(81)
Exchange differences	(1,403)	(6,394)	(7,797)
At 29 February 2020	220,674	1,738,084	1,958,758
NET BOOK VALUE			
At 29 February 2020	173,480	659,317	832,797
At 28 February 2019	199,363	553,706	753,069

Included in plant and equipment are assets under hire purchase contracts with a net book value of £110,652 (2019: £126,250).

12. FIXED ASSET INVESTMENTS

Company

	Shares in group undertakings £
COST	
At 1 March 2019	1,454,582
Additions	25,585
At 29 February 2020	1,480,167
PROVISIONS	
At 1 March 2019 and 29 February 2020	32,935
NET BOOK VALUE	
At 29 February 2020	1,447,232
At 28 February 2019	1,421,647

Royston Power Generation Limited (Registered number: 06353159)

**Notes to the Consolidated Financial Statements - continued
for the Year Ended 29 February 2020**

12. FIXED ASSET INVESTMENTS - continued

	Nature of business	Country of residence	Shares held Class	Shares held Percentage
Royston Limited	Sale and servicing of diesel engines	England and Wales	Ordinary	100%
Royston Engineering Group Limited	Dormant	England and Wales	Ordinary, preference and cumulative preference	100%
Royston (Australia) PTY Limited	Servicing of diesel engines	Australia	Ordinary	100%
BCL Royston Limited	Servicing of diesel engines	Nigeria	Ordinary	47.5%
Royston West Africa Limited	Servicing of diesel engines	Nigeria	Ordinary	100%
Royston APAC PTE Ltd	Servicing of diesel engines	Republic of Singapore	Ordinary	100%

In addition to the above, the company's subsidiary undertaking, Royston Limited, owns 100% of the share capital in Royston Marine Engineering Limited, Royston Marine Sales Limited, Royston Marine Limited and Shipaid Diesel Services Limited, all dormant companies registered in England and Wales.

13. STOCKS

	Group	
	2020 £	2019 £
Raw materials	794,579	1,050,925
Work-in-progress	419,832	476,151
	<u>1,214,411</u>	<u>1,527,076</u>

14. DEBTORS

	Group		Company	
	2020 £	2019 £	2020 £	2019 £
Amounts falling due within one year:				
Trade debtors	2,213,245	2,800,914	-	-
Other debtors	297,631	263,727	-	-
Deferred tax asset	-	-	790	790
Prepayments and accrued income	313,122	279,654	-	-
	<u>2,823,998</u>	<u>3,344,295</u>	<u>790</u>	<u>790</u>

Royston Power Generation Limited (Registered number: 06353159)

**Notes to the Consolidated Financial Statements - continued
for the Year Ended 29 February 2020**

14. DEBTORS - continued

	Group		Company	
	2020	2019	2020	2019
	£	£	£	£
Amounts falling due after more than one year:				
Amounts owed by group undertakings	-	-	3,828	1,402
	<u>-</u>	<u>-</u>	<u>3,828</u>	<u>1,402</u>
Aggregate amounts	2,823,998	3,344,295	4,618	2,192
	<u>2,823,998</u>	<u>3,344,295</u>	<u>4,618</u>	<u>2,192</u>

15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2020	2019	2020	2019
	£	£	£	£
Hire purchase contracts (see note 17)	27,100	39,635	-	-
Trade creditors	2,355,841	3,042,324	-	(363)
Amounts owed to group undertakings	-	-	486,500	367,522
Corporation tax	31,118	123,527	33,974	23,448
Other creditors	158,922	202,385	17,524	16,513
Loss in joint venture	-	48,057	-	-
Accruals and deferred income	1,385,987	1,072,121	268,740	410,861
	<u>3,958,968</u>	<u>4,528,049</u>	<u>806,738</u>	<u>817,981</u>

16. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group	
	2020	2019
	£	£
Hire purchase contracts (see note 17)	1,606	28,706
	<u>1,606</u>	<u>28,706</u>

17. LEASING AGREEMENTS

Minimum lease payments fall due as follows:

Group	Hire purchase contracts	
	2020	2019
	£	£
Net obligations repayable:		
Within one year	27,100	39,635
Between one and five years	1,606	28,706
	<u>28,706</u>	<u>68,341</u>

Notes to the Consolidated Financial Statements - continued
for the Year Ended 29 February 2020

17. LEASING AGREEMENTS - continued

Group

	Non-cancellable operating leases	
	2020	2019
	£	£
Within one year	202,230	188,615
Between one and five years	484,578	505,243
In more than five years	202,950	424,350
	<u>889,758</u>	<u>1,118,208</u>

18. SECURED DEBTS

The following secured debts are included within creditors:

	Group	
	2020	2019
	£	£
Hire purchase	<u>28,706</u>	<u>68,341</u>

Hire purchase is secured on the assets in which it relates.

19. PROVISIONS FOR LIABILITIES

	Group	
	2020	2019
	£	£
Deferred tax	<u>74,304</u>	<u>145,895</u>

Group

	Deferred tax
	£
Balance at 1 March 2019	145,895
Accelerated capital allowances	(71,591)
Balance at 29 February 2020	<u>74,304</u>

Company

	Deferred tax
	£
Balance at 1 March 2019	(790)
Balance at 29 February 2020	<u>(790)</u>

**Notes to the Consolidated Financial Statements - continued
for the Year Ended 29 February 2020**

20. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	2020 £	2019 £
244,828	Ordinary	£1	<u>244,828</u>	<u>244,828</u>

21. CAPITAL COMMITMENTS

	2020 £	2019 £
Contracted but not provided for in the financial statements	<u>96,363</u>	<u>-</u>

22. RELATED PARTY DISCLOSURES

During the year key management personnel remuneration was £617,601 (2019: £683,836).

Entities over which the entity has control, joint control or significant influence

	2020 £	2019 £
Turnover	-	373
Cost of sales	18,936	205,965
Amounts owed by joint venture	-	72,270
Provisions relating to outstanding balances	-	72,270
Profit/(loss) in joint venture	(3,798)	17,344
Disposal of joint venture	52,075	-

The company has taken advantage of exemption, under the terms of Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', not to disclose related party transactions with wholly owned subsidiaries within the group.

23. ULTIMATE CONTROLLING PARTY

The directors consider L J Brown to be the ultimate controlling party by virtue of his majority shareholding.

Notes to the Consolidated Financial Statements - continued
for the Year Ended 29 February 2020

24. SHARE OPTIONS

Share options were issued to 3 employees during the period. These options are only exercisable on a sale of the business or any other transactions on changes in ownership. In addition, employees must have remained in employment or been made redundant / retired 12 months prior to the transaction date. The options will expire on the 10th anniversary on the grant date. Share options are to be settled through equity. There is no cash-based alternative.

The charge is not considered material to the financial statements.

There were no cancellations or modifications to the awards in 2020.

Movements during the year

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, share options during the year:

	2020 Number:	2020 WAEP £	2019 Number:	2019 WAEP £
Balance at 1 March 2019	-	-	-	-
Granted during the period	33,384	9.70	-	-
Forfeited during the period	-	-	-	-
Exercise during the period	-	-	-	-
Expired during the period	-	-	-	-
Outstanding at 29 February 2020	<u>33,384</u>	<u>9.70</u>	<u>-</u>	<u>-</u>
Exercisable at 29 February 2020	-	-	-	-

Binomial model attributes a fair value to the option itself rather than to the services received.