

**Group Strategic Report,
Report of the Directors and
Consolidated Financial Statements
for the Year Ended 28 February 2018
for
Royston Power Generation Limited**



Royston Power Generation Limited

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for the Year Ended 28 February 2018**

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Royston Power Generation Limited

**Company Information
for the Year Ended 28 February 2018**

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 FCA

AUDITORS:

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

Royston Power Generation Limited

Group Strategic Report for the Year Ended 28 February 2018

The directors present their strategic report of the company and the group for the year ended 28 February 2018.

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 significant growth despite the difficult trading conditions created by the continued low oil price. Margins remained consistent with previous years and consequently profitability improved markedly.

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

	2018	2017	% Change
Turnover	£16,863,053	£11,470,312	47.0%
Gross profit per employee	£65,182	£46,718	39.5%
Working capital as % of Gross profit	11.4%	31.5%	(20.1%)

FUTURE DEVELOPMENTS

Despite an improving oil price the directors anticipate continued inertia in the marine and offshore sectors for the foreseeable future. However, the business continues to identify new development opportunities and the directors believe that the group is well placed to achieve growth and increased profitability in future years due to new products and the provision of value added services.

PRINCIPAL RISKS AND UNCERTAINTIES

The group operates in a competitive market. There are risks in tendering which the group 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.

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.

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

21 May 2018

Royston Power Generation Limited

Report of the Directors for the Year Ended 28 February 2018

The directors present their report with the financial statements of the company and the group for the year ended 28 February 2018.

DIVIDENDS

No dividends will be distributed for the year ended 28 February 2018.

DIRECTORS

The directors shown below have held office during the whole of the period from 1 March 2017 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

21 May 2018

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 28 February 2018 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).

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.

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 28 February 2018 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 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, 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 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 three, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the 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.

Our 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.



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

21 May 2018

Royston Power Generation Limited

**Consolidated Profit and Loss Account
for the Year Ended 28 February 2018**

	Notes	2018 £	2017 £
TURNOVER	3	16,863,053	11,470,312
Cost of sales		<u>11,844,065</u>	<u>8,013,198</u>
GROSS PROFIT		5,018,988	3,457,114
Administrative expenses		<u>4,264,704</u>	<u>3,501,484</u>
		754,284	(44,370)
Other operating income		<u>207,859</u>	<u>165,271</u>
OPERATING PROFIT	5	962,143	120,901
Interest payable and similar expenses	6	<u>50,307</u>	<u>67,915</u>
PROFIT BEFORE TAXATION		911,836	52,986
Tax on profit	7	<u>133,981</u>	<u>42,949</u>
PROFIT FOR THE FINANCIAL YEAR		<u><u>777,855</u></u>	<u><u>10,037</u></u>
Profit attributable to: Owners of the parent		<u><u>777,855</u></u>	<u><u>10,037</u></u>

The notes form part of these financial statements

Royston Power Generation Limited

**Consolidated Other Comprehensive Income
for the Year Ended 28 February 2018**

	Notes	2018 £	2017 £
PROFIT FOR THE YEAR		777,855	10,037
OTHER COMPREHENSIVE INCOME		<u>-</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>777,855</u>	<u>10,037</u>
Total comprehensive income attributable to: Owners of the parent		<u>777,855</u>	<u>10,037</u>

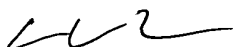
The notes form part^s of these financial statements

Royston Power Generation Limited (Registered number: 06353159)

**Consolidated Balance Sheet
28 February 2018**

	Notes	2018 £	2017 £
FIXED ASSETS			
Intangible assets	9	7,729	42,403
Tangible assets	10	875,184	599,957
Investments	11	<u>-</u>	<u>-</u>
		882,913	642,360
CURRENT ASSETS			
Stocks	12	1,211,923	802,485
Debtors	13	2,621,485	2,640,472
Cash at bank		<u>631,325</u>	<u>221,796</u>
		4,464,733	3,664,753
CREDITORS			
Amounts falling due within one year	14	<u>3,392,562</u>	<u>3,090,634</u>
NET CURRENT ASSETS		<u>1,072,171</u>	<u>574,119</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		1,955,084	1,216,479
CREDITORS			
Amounts falling due after more than one year	15	(157,269)	(206,734)
PROVISIONS FOR LIABILITIES	18	<u>(105,765)</u>	<u>(69,854)</u>
NET ASSETS		<u><u>1,692,050</u></u>	<u><u>939,891</u></u>
CAPITAL AND RESERVES			
Called up share capital	19	244,828	244,828
Retained earnings	20	<u>1,447,222</u>	<u>695,063</u>
SHAREHOLDERS' FUNDS		<u><u>1,692,050</u></u>	<u><u>939,891</u></u>

The financial statements were approved by the Board of Directors on 21 May 2018 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
28 February 2018**

	Notes	2018		2017	
		£	£	£	£
FIXED ASSETS					
Intangible assets	9	-	-	-	-
Tangible assets	10	-	-	-	-
Investments	11	<u>1,421,647</u>	<u>1,421,647</u>	<u>1,454,582</u>	<u>1,454,582</u>
		1,421,647		1,454,582	
CURRENT ASSETS					
Debtors	13	2,192		42,082	
Cash at bank		<u>1</u>		<u>34</u>	
		2,193		42,116	
CREDITORS					
Amounts falling due within one year	14	<u>772,486</u>		<u>791,168</u>	
NET CURRENT LIABILITIES			<u>(770,293)</u>		<u>(749,052)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			651,354		705,530
CREDITORS					
Amounts falling due after more than one year	15		<u>102,380</u>		<u>206,734</u>
NET ASSETS			<u><u>548,974</u></u>		<u><u>498,796</u></u>
CAPITAL AND RESERVES					
Called up share capital	19		244,828		244,828
Retained earnings			<u>304,146</u>		<u>253,968</u>
SHAREHOLDERS' FUNDS			<u><u>548,974</u></u>		<u><u>498,796</u></u>

The financial statements were approved by the Board of Directors on 21 May 2018 and were signed on its behalf by:



G R Denholm - Director

The notes form part of these financial statements

Royston Power Generation Limited

**Consolidated Statement of Changes in Equity
for the Year Ended 28 February 2018**

	Called up share capital £	Retained earnings £	Share premium £	Capital redemption reserve £	Total equity £
Balance at 29 February 2016	276,658	729,269	118,170	-	1,124,097
Changes in equity					
Total comprehensive income	-	10,037	-	-	10,037
Purchase of own shares	(31,830)	(350,000)	-	131,830	(250,000)
Capital reduction	-	250,000	(118,170)	(131,830)	-
Foreign currency translation	-	55,757	-	-	55,757
Balance at 28 February 2017	<u>244,828</u>	<u>695,063</u>	<u>-</u>	<u>-</u>	<u>939,891</u>
Changes in equity					
Total comprehensive income	-	777,855	-	-	777,855
Foreign currency translation	-	(25,696)	-	-	(25,696)
Balance at 28 February 2018	<u>244,828</u>	<u>1,447,222</u>	<u>-</u>	<u>-</u>	<u>1,692,050</u>

The notes form part of these financial statements

Royston Power Generation Limited
Company Statement of Changes in Equity
for the Year Ended 28 February 2018

	Called up share capital £	Retained earnings £	Share premium £	Capital redemption reserve £	Total equity £
Balance at 29 February 2016	276,658	70,935	118,170	-	465,763
Changes in equity					
Total comprehensive income	-	283,033	-	-	283,033
Purchase of own shares	(31,830)	(350,000)	-	131,830	(250,000)
Capital reduction	-	250,000	(118,170)	(131,830)	-
Balance at 28 February 2017	<u>244,828</u>	<u>253,968</u>	<u>-</u>	<u>-</u>	<u>498,796</u>
Changes in equity					
Total comprehensive income	-	50,178	-	-	50,178
Balance at 28 February 2018	<u>244,828</u>	<u>304,146</u>	<u>-</u>	<u>-</u>	<u>548,974</u>

The notes form part of these financial statements

Royston Power Generation Limited

**Consolidated Cash Flow Statement
for the Year Ended 28 February 2018**

	Notes	2018 £	2017 £
Cash flows from operating activities			
Cash generated from operations	1	1,552,759	640,341
Interest paid		(50,307)	(98,910)
Tax paid		<u>(26,197)</u>	<u>(13,571)</u>
Net cash from operating activities		<u>1,476,255</u>	<u>527,950</u>
Cash flows from investing activities			
Purchase of tangible fixed assets		(343,557)	(130,771)
Purchase of fixed asset investments		-	(36,402)
Sale of tangible fixed assets		21,632	-
Interest received		<u>2,606</u>	<u>548</u>
Net cash from investing activities		<u>(319,319)</u>	<u>(166,625)</u>
Cash flows from financing activities			
New loans in year		-	330,000
Loan repayments in year		(396,990)	(119,855)
Capital repayments in year		(12,413)	(10,350)
Share buyback		<u>-</u>	<u>(350,000)</u>
Net cash from financing activities		<u>(409,403)</u>	<u>(150,205)</u>
Increase in cash and cash equivalents		<u>747,533</u>	<u>211,030</u>
Cash and cash equivalents at beginning of year	2	<u>(116,208)</u>	<u>(327,238)</u>
Cash and cash equivalents at end of year	2	<u><u>631,325</u></u>	<u><u>(116,208)</u></u>

The notes form part of these financial statements

Royston Power Generation Limited

**Notes to the Consolidated Cash Flow Statement
for the Year Ended 28 February 2018**

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

	2018	2017
	£	£
Profit before taxation	911,836	52,986
Depreciation charges	190,445	180,766
(Profit)/loss on disposal of fixed assets	(15,890)	3,467
Foreign exchange	(19,746)	37,669
Interest received	(2,606)	(548)
Other interest paid	-	30,995
Finance costs	<u>50,307</u>	<u>67,915</u>
	1,114,346	373,250
Increase in stocks	(409,438)	(197,596)
Decrease/(increase) in trade and other debtors	18,987	(665,468)
Increase in trade and other creditors	<u>828,864</u>	<u>1,130,155</u>
Cash generated from operations	<u><u>1,552,759</u></u>	<u><u>640,341</u></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 28 February 2018

	28.2.18	1.3.17
	£	£
Cash and cash equivalents	631,325	221,796
Trade debtor financing	<u>-</u>	<u>(338,004)</u>
	<u><u>631,325</u></u>	<u><u>(116,208)</u></u>

Year ended 28 February 2017

	28.2.17	29.2.16
	£	£
Cash and cash equivalents	221,796	121,530
Bank overdrafts	-	(35,261)
Trade debtor financing	<u>(338,004)</u>	<u>(413,507)</u>
	<u><u>(116,208)</u></u>	<u><u>(327,238)</u></u>

The notes form part of these financial statements

Royston Power Generation Limited

Notes to the Consolidated Financial Statements for the Year Ended 28 February 2018

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.

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.

Taxation

Judgement is required when determining the provision for taxes. Tax benefits are not recognised unless it is probable that the benefit will be obtained. Tax provisions are made if it is possible that a liability will arise. The group reviews each significant tax liability or benefit to assess the appropriate accounting treatment. Management estimation is required to determine the amount of deferred tax assets that can be recognised, based upon likely timing and level of future profits.

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 have considered it to be prudent to provide an impairment in full against the joint venture.

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.

Royston Power Generation Limited

Notes to the Consolidated Financial Statements - continued for the Year Ended 28 February 2018

2. ACCOUNTING POLICIES - continued

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

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 & fitting and plant and machinery	- 15% - 32%	on reducing balance and 10% on cost
Motor vehicles	-	25% per annum - reducing balance

Government grants

Government grants are recognised when it is reasonable to expect that the grants will be received and that all related conditions will be met, usually on submission of a valid claim for payment.

Grants of a revenue nature are credited to income so as to match them with the expenditure to which they relate.

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.

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.

Royston Power Generation Limited

Notes to the Consolidated Financial Statements - continued for the Year Ended 28 February 2018

2. ACCOUNTING POLICIES - continued

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

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

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

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.

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:

	2018	2017
	£	£
United Kingdom	8,773,869	6,789,673
Rest of Europe	1,712,257	1,680,284
Africa, Asia and Middle East	5,038,604	1,735,877
Americas	61,927	29,743
Australia	1,276,396	1,234,735
	<u>16,863,053</u>	<u>11,470,312</u>

Royston Power Generation Limited

**Notes to the Consolidated Financial Statements - continued
for the Year Ended 28 February 2018**

4. EMPLOYEES AND DIRECTORS

	2018	2017
	£	£
Wages and salaries	4,138,674	3,395,149
Social security	370,425	291,702
Pension costs	<u>118,877</u>	<u>101,366</u>
	<u><u>4,620,976</u></u>	<u><u>3,788,217</u></u>

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

	2018	2017
Production staff	43	44
Sales and administration	<u>34</u>	<u>30</u>
	<u><u>77</u></u>	<u><u>74</u></u>

	2018	2017
	£	£
Directors' remuneration	552,468	363,118
Pension costs	10,027	9,424
Sums paid to third parties in respect of directors' services	<u>-</u>	<u>6,875</u>
	<u><u>562,495</u></u>	<u><u>379,417</u></u>

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

	2018	2017
Money purchase schemes	4	4

The highest paid director was paid £151,760 (2017: £120,737).

5. OPERATING PROFIT

The operating profit is stated after charging:

	2018	2017
	£	£
Hire of plant and machinery	3,878	1,417
Operating lease rentals - plant and machinery	96,975	99,341
Operating lease rentals - land and buildings	103,045	59,576
Depreciation of owned fixed assets	153,515	141,382
Depreciation of leased assets	4,589	8,054
(Profit)/Loss on disposal of fixed assets	(15,890)	3,467
Goodwill amortisation	32,341	31,330
Auditors remuneration - audit services	10,350	19,004
Auditors remuneration - tax compliance services	3,400	8,085

Royston Power Generation Limited

**Notes to the Consolidated Financial Statements - continued
for the Year Ended 28 February 2018**

6. INTEREST PAYABLE AND SIMILAR EXPENSES

	2018	2017
	£	£
Bank interest	6,232	13,846
Hire purchase interest	2,980	398
Other loan interest	18,785	26,303
Other interest	<u>22,310</u>	<u>27,368</u>
	<u>50,307</u>	<u>67,915</u>

7. TAXATION

Analysis of the tax charge

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

	2018	2017
	£	£
Current tax:		
UK corporation tax	104,422	32,549
No description	<u>(6,352)</u>	<u>-</u>
Total current tax	98,070	32,549
Deferred tax	<u>35,911</u>	<u>10,400</u>
Tax on profit	<u>133,981</u>	<u>42,949</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:

	2018	2017
	£	£
Profit before tax	<u>911,836</u>	<u>52,986</u>
Profit multiplied by the standard rate of corporation tax in the UK of 19% (2017 - 20%)	173,249	10,597
Effects of:		
Expenses not deductible for tax purposes	12,116	9,060
Depreciation in excess of capital allowances	10,364	13,525
Tax rate changes	776	-
Overseas tax adjustments	(12,856)	30,102
Research and development	(43,316)	(20,335)
Under/(over) provision in prior year	<u>(6,352)</u>	<u>-</u>
Total tax charge	<u>133,981</u>	<u>42,949</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.

Royston Power Generation Limited

**Notes to the Consolidated Financial Statements - continued
for the Year Ended 28 February 2018**

9. INTANGIBLE FIXED ASSETS

Group

	Goodwill £
COST	
At 1 March 2017	339,225
Exchange differences	<u>(30,053)</u>
At 28 February 2018	<u>309,172</u>
AMORTISATION	
At 1 March 2017	296,822
Amortisation for year	32,341
Exchange differences	<u>(27,720)</u>
At 28 February 2018	<u>301,443</u>
NET BOOK VALUE	
At 28 February 2018	<u>7,729</u>
At 28 February 2017	<u>42,403</u>

10. TANGIBLE FIXED ASSETS

Group

	Short leasehold £	Plant & machinery, fixtures & fittings & motor vehicles £	Totals £
COST			
At 1 March 2017	204,779	2,060,788	2,265,567
Additions	182,184	260,506	442,690
Disposals	-	(75,894)	(75,894)
Exchange differences	<u>(2,820)</u>	<u>(19,754)</u>	<u>(22,574)</u>
At 28 February 2018	<u>384,143</u>	<u>2,225,646</u>	<u>2,609,789</u>
DEPRECIATION			
At 1 March 2017	119,846	1,545,764	1,665,610
Charge for year	33,506	124,598	158,104
Eliminated on disposal	-	(70,152)	(70,152)
Exchange differences	<u>3,357</u>	<u>(22,314)</u>	<u>(18,957)</u>
At 28 February 2018	<u>156,709</u>	<u>1,577,896</u>	<u>1,734,605</u>
NET BOOK VALUE			
At 28 February 2018	<u>227,434</u>	<u>647,750</u>	<u>875,184</u>
At 28 February 2017	<u>84,933</u>	<u>515,024</u>	<u>599,957</u>

Included in plant and equipment are assets under hire purchase contracts with a net book value of £122,934 (2017: £Nil).

Royston Power Generation Limited

**Notes to the Consolidated Financial Statements - continued
for the Year Ended 28 February 2018**

11. FIXED ASSET INVESTMENTS

Company

	Shares in group undertakings £
COST	
At 1 March 2017 and 28 February 2018	<u>1,454,582</u>
PROVISIONS	
Provision for year	<u>32,935</u>
At 28 February 2018	<u>32,935</u>
NET BOOK VALUE	
At 28 February 2018	<u><u>1,421,647</u></u>
At 28 February 2017	<u><u>1,454,582</u></u>

	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%

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.

12. STOCKS

	Group	
	2018 £	2017 £
Raw materials	659,697	454,513
Work-in-progress	<u>552,226</u>	<u>347,972</u>
	<u><u>1,211,923</u></u>	<u><u>802,485</u></u>

Royston Power Generation Limited

**Notes to the Consolidated Financial Statements - continued
for the Year Ended 28 February 2018**

13. DEBTORS

	Group		Company	
	2018	2017	2018	2017
	£	£	£	£
Amounts falling due within one year:				
Trade debtors	2,248,312	2,336,020	-	-
Other debtors	107,398	2,681	-	-
Deferred tax asset	-	-	790	790
Prepayments and accrued income	<u>265,775</u>	<u>245,208</u>	<u>-</u>	<u>-</u>
	<u>2,621,485</u>	<u>2,583,909</u>	<u>790</u>	<u>790</u>
 Amounts falling due after more than one year:				
Amounts owed by group undertakings	-	-	1,402	1,402
Amounts owed by joint venture	<u>-</u>	<u>56,563</u>	<u>-</u>	<u>39,890</u>
	<u>-</u>	<u>56,563</u>	<u>1,402</u>	<u>41,292</u>
 Aggregate amounts	<u>2,621,485</u>	<u>2,640,472</u>	<u>2,192</u>	<u>42,082</u>

Included in debtors are financial assets measured at amortised cost amounting to £2,515,850 (2017: £2,640,472).

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2018	2017	2018	2017
	£	£	£	£
Other loans (see note 16)	104,236	396,872	104,236	396,872
Hire purchase contracts (see note 17)	31,831	-	-	-
Trade creditors	2,167,490	1,768,917	33	66
Amounts owed to group undertakings	-	-	398,974	344,623
Corporation tax	104,424	32,551	19,732	14,086
Other creditors	190,840	212,707	14,752	6,692
Trade debtor financing facility	-	338,004	-	-
Loss in joint venture	65,401	38,486	-	-
Accruals and deferred income	<u>728,340</u>	<u>303,097</u>	<u>234,759</u>	<u>28,829</u>
	<u>3,392,562</u>	<u>3,090,634</u>	<u>772,486</u>	<u>791,168</u>

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

	Group		Company	
	2018	2017	2018	2017
	£	£	£	£
Other loans (see note 16)	102,380	206,734	102,380	206,734
Hire purchase contracts (see note 17)	<u>54,889</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>157,269</u>	<u>206,734</u>	<u>102,380</u>	<u>206,734</u>

Royston Power Generation Limited

**Notes to the Consolidated Financial Statements - continued
for the Year Ended 28 February 2018**

15. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR - continued

Included in creditors are financial liabilities measured at amortised cost amounting to £3,316,208 (2017: £3,113,748).

16. LOANS

An analysis of the maturity of loans is given below:

	Group		Company	
	2018	2017	2018	2017
	£	£	£	£
Amounts falling due within one year or on demand:				
Other loans	<u>104,236</u>	<u>396,872</u>	<u>104,236</u>	<u>396,872</u>
Amounts falling due between one and two years:				
Other loans - 1-2 years	<u>102,380</u>	<u>206,734</u>	<u>102,380</u>	<u>206,734</u>

17. LEASING AGREEMENTS

Minimum lease payments fall due as follows:

Group

	Hire purchase contracts	
	2018	2017
	£	£
Net obligations repayable:		
Within one year	31,831	-
Between one and five years	<u>54,889</u>	<u>-</u>
	<u>86,720</u>	<u>-</u>

Group

	Non-cancellable operating leases	
	2018	2017
	£	£
Within one year	148,347	103,388
Between one and five years	539,411	527,056
In more than five years	<u>433,575</u>	<u>544,275</u>
	<u>1,121,333</u>	<u>1,174,719</u>

18. PROVISIONS FOR LIABILITIES

	Group	
	2018	2017
	£	£
Deferred tax	<u>105,765</u>	<u>69,854</u>

Royston Power Generation Limited

**Notes to the Consolidated Financial Statements - continued
for the Year Ended 28 February 2018**

18. PROVISIONS FOR LIABILITIES - continued

Group

	Deferred tax £
Balance at 1 March 2017	69,854
Accelerated capital allowances	<u>35,911</u>
Balance at 28 February 2018	<u>105,765</u>

Company

	Deferred tax £
Balance at 1 March 2017	<u>(790)</u>
Balance at 28 February 2018	<u>(790)</u>

19. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:		Nominal value:	2018 £	2017 £
Number:	Class:			
244,828	Ordinary	£1	<u>244,828</u>	<u>244,828</u>

20. RESERVES

Group

	Retained earnings £
At 1 March 2017	695,063
Profit for the year	777,855
Foreign currency translation	<u>(25,696)</u>
At 28 February 2018	<u>1,447,222</u>

Company

	Retained earnings £
At 1 March 2017	253,968
Profit for the year	<u>50,178</u>
At 28 February 2018	<u>304,146</u>

Royston Power Generation Limited

**Notes to the Consolidated Financial Statements - continued
for the Year Ended 28 February 2018**

21. CAPITAL COMMITMENTS

	2018 £	2017 £
Contracted but not provided for in the financial statements	<u>108,035</u>	<u>-</u>

22. RELATED PARTY DISCLOSURES

During the year key management personnel remuneration was £552,468 (2017: £363,118).

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

	2018 £	2017 £
Turnover	1,555	41,997
Cost of sales	116,583	6,588
Administrative expenses	-	3,467
Amounts owed by joint venture	72,270	56,563
Provisions relating to outstanding balances	72,270	-
Loss in joint venture	65,401	38,486

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.

24. PROFIT ATTRIBUTABLE TO MEMBERS OF THE PARENT UNDERTAKING

The profit on ordinary activities after taxation dealt with in the financial statements of the parent undertaking was £50,178 (2017: £283,033)