REGISTERED NUMBER: 07176536 (England and Wales)

Strategic Report, Report of the Directors and

Financial Statements

for the Year Ended 30 September 2019

for

Fruehauf Ltd

Contents of the Financial Statements
for the year ended 30 September 2019

Fruehauf Ltd

Company Information
for the year ended 30 September 2019

DIRECTORS:	I U Mckeand D A Thomson A Dunkley
REGISTERED OFFICE:	Invicta Works Houghton Road Grantham Lincolnshire NG31 6JE
REGISTERED NUMBER:	07176536 (England and Wales)
AUDITORS:	Anstey Bond LLP Statutory Auditors & Chartered Accountants 1-2 Charterhouse Mews London EC1M 6BB

Strategic Report
for the year ended 30 September 2019

The directors present their strategic report for the year ended 30 September 2019.

REVIEW OF BUSINESS

Current trading conditions

The current trading performance of Fruehauf remains below the board's expectations. The general market demand for trailers has been depressed since the Brexit referendum; demand from the Agriculture sector and increasingly the construction industry has in particular been affected by the uncertainties.

The board have responded over the last 2 years with a range of new products targeted at other sectors. These include the Half Pipe for the construction sector and the sealed trailers and bin lifters for the rendering and waste sectors all of which are now established sales lines. Investment has continued into 2019-2020 with the introduction of the conveyor trailers and rigids, the re-introduction of flatbed trailers and the short pipe trailer. The sector diversification has improved substantially as a result of the new lines and added stability to the sales with exposure to the Agricultural sector correspondingly reduced. The sales, gross margin and profits have all reduced in 2019 compared with 2018 while investment in innovation continues.

Uncertainty in the economy continues to put pressure on sales in general and whilst the business remains profitable and margins remain strong, growth has been suppressed. The board believes that this situation will continue until the political uncertainties introduced by the Brexit vote are resolved. The board is strongly of the view that once market conditions return to normal, the business is positioned to grow strongly across all ranges and all sectors.

Intercompany Loans

The debtors due within one year contain an amount due to Fruehauf Ltd of £1,684,632 (2018: £1,671,499) from Huffey Group Ltd a group company which operates under the control of the same management team as Fruehauf Ltd. Huffey Group Ltd is a specialist, Ministry of Justice approved supplier of prison fittings. The prison capital supply sector has been in decline in recent years due to government spending cuts which are part of the post 2008 crash austerity cuts. In order to supply the Huffey products; specialist skills, equipment and MOJ approval are required. The board of Huffey have ensured that the ability and capacity to supply have been preserved whilst in the market the number of approved suppliers has dropped to two including Huffey Group.

The board has deliberately downscaled Huffey Group's operations to wait for the upturn in spending which is required to increase prison capacity and standards as and when pressure on spending is released. Market indicators, government announcements on capacity increases and a reduction in the number of competitors indicate substantial growth potential for Huffey Group. Consequently, the board believes that Huffey Group Ltd should be able to repay the outstanding account due to Fruehauf Ltd in the medium term and has therefore not provided for the outstanding balance.

The current political environment is restricting progress with the Huffey business and without specific evidence to support the view of the board the auditors of Fruehauf Ltd take a more cautious view on this matter. The auditors have raised their concerns in their audit report.

Were Fruehauf to provide for the amount due from Huffey Group this would be accounted for as an exceptional item and there would be no impact to the trading performance or cash flows of Fruehauf Ltd.

Strategic Report
for the year ended 30 September 2019

KEY PERFORMANCE INDICATORS
Management use a range of performance measures to monitor and manage the business. The performance measures are split into financial key performance indicators as set out below.

	2019 (£'000)	2018 (£'000)
Turnover	23,706	26,275
Gross profit	5,036	5,300
Gross profit margin	21.2%	20.2%
Operating profit/ (loss)	(109)	694

The Board of Directors meets regularly and formally review the principal risks facing the business.

PRINCIPAL RISKS AND UNCERTAINTIES

The Board of Directors meets regularly and formally review the principal risks facing the business.

Objectives and policies
The company has established a risk and financial management framework whose primary objectives are to ensure sufficient working capital exists and to monitor the management risk.

Price risk, credit risk, liquidity risk and cash flow risk
The company's principal financial assets are trade debtors. In order to manage credit risk the directors set limits for customers based on a combination of payment history and third party credit references. These credit limits are reviewed regularly by the directors together with aged debtors and collection history.

The company seeks to manage liquidity risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably.

The company's policy throughout the year has been to achieve this objective through the day to day involvement of management business decisions rather than setting maximum or minimum liquidity ratios.

ON BEHALF OF THE BOARD:

I U Mckeand - Director

30 November 2020

Report of the Directors
for the year ended 30 September 2019

The directors present their report with the financial statements of the company for the year ended 30 September 2019.

PRINCIPAL ACTIVITY
The principal activity of the company in the year under review was that of the manufacture of coachwork bodies, trailers and other vehicle components.

DIVIDENDS
No dividends will be distributed for the year ended 30 September 2019.

EVENTS SINCE THE END OF THE YEAR
Information relating to events since the end of the year is given in the notes to the financial statements.

DIRECTORS
I U Mckeand has held office during the whole of the period from 1 October 2018 to the date of this report.

Other changes in directors holding office are as follows:

J J Swift - resigned 11 September 2019
D A Thomson - appointed 3 June 2019

A Dunkley was appointed as a director after 30 September 2019 but prior to the date of this report.

D J Snodin ceased to be a director after 30 September 2019 but prior to the date of this report.

STATEMENT OF DIRECTORS' RESPONSIBILITIES
The directors are responsible for preparing the 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 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 judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and 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.

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 company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

AUDITORS
The auditors, Anstey Bond LLP, will be proposed for re-appointment at the forthcoming Annual General Meeting.

ON BEHALF OF THE BOARD:

I U Mckeand - Director

30 November 2020

Report of the Independent Auditors to the Members of Fruehauf Ltd

Qualified opinion
We have audited the financial statements of Fruehauf Ltd (the 'company') for the year ended 30 September 2019 which comprise the Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity and 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).

We have audited the financial statements of Fruehauf Ltd (the 'Company') for the year ended 30 September 2019 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and 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 FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 September 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for qualified 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 company 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. The Company's debtors include an amount of £1,684,632 (2018: £1,671,499) owed by Huffey Group Limited, a fellow group company. In our opinion this balance is unlikely to be settled in the foreseeable future based on the current level of trading and financial position of Huffey Group Limited and the absence of verifiable evidence to support the future recovery and growth of the business forecast by management. The debtor balance has been included at full value by management with no provision for potential irrecoverability. Had managed stated the debtor at realisable value, and amount of £1,684,632 (2018: £1,671,499) would have been required as a provision against debtors. Accordingly, administrative overheads would have been increased by £1,684,632 (2018: £1,671,499) and net profit and shareholders' equity would have both been reduced by £1,684,632 (2018: £1,671,499).

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 of 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 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 qualified opinion.

Conclusions relating to going concern
We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:
- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Emphasis of matter
We draw your attention to note 18 of the financial statements; emphasising the non-adjusting post balance sheet event, in relation to the global coronavirus pandemic.

Other information
The directors are responsible for the other information. The other information comprises the information in the 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 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 Strategic Report and the Report of the Directors 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 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.

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 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.

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.

Report of the Independent Auditors to the Members of
Fruehauf Ltd

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.

Colin Ellis FCCA CF (Senior Statutory Auditor)
for and on behalf of Anstey Bond LLP
Statutory Auditors &
Chartered Accountants
1-2 Charterhouse Mews
London
EC1M 6BB

30 November 2020

Statement of Comprehensive Income
for the year ended 30 September 2019

	Notes	2019 £	2018 £
TURNOVER		23,706,056	26,274,452
Cost of sales		(18,669,670)	(20,640,183)
GROSS PROFIT		5,036,386	5,634,269
Administrative expenses		(5,147,589)	(4,940,569)
		(111,203)	693,700
Other operating income		1,527	100
OPERATING (LOSS)/PROFIT	4	(109,676)	693,800
Interest receivable and similar income		40	15
		(109,636)	693,815
Interest payable and similar expenses	6	(358,719)	(359,343)
(LOSS)/PROFIT BEFORE TAXATION		(468,355)	334,472
Tax on (loss)/profit	7	28,694	138,063
(LOSS)/PROFIT FOR THE FINANCIAL YEAR		(439,661)	472,535
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		(439,661)	472,535

The notes form part of these financial statements

Balance Sheet
30 September 2019

	Notes	2019 £	2018 £
FIXED ASSETS			
Intangible assets	8	149,287	158,994
Tangible assets	9	1,229,107	1,098,974
		1,378,394	1,257,968
CURRENT ASSETS			
Stocks	10	3,523,846	3,204,734
Debtors	11	4,532,323	4,497,077
Cash at bank		231,786	1,069,657
		8,287,955	8,771,468
CREDITORS			
Amounts falling due within one year	12	(7,099,195)	(7,434,877)
NET CURRENT ASSETS		1,188,760	1,336,591
TOTAL ASSETS LESS CURRENT LIABILITIES		2,567,154	2,594,559
CREDITORS			
Amounts falling due after more than one year	13	(647,459)	(235,203)
NET ASSETS		1,919,695	2,359,356
CAPITAL AND RESERVES			
Called up share capital	16	100	100
Retained earnings	17	1,919,595	2,359,256
SHAREHOLDERS' FUNDS		1,919,695	2,359,356

The financial statements were approved by the Board of Directors and authorised for issue on 30 November 2020 and were signed on its behalf by:

I U Mckeand - Director

Fruehauf Ltd (Registered number: 07176536)

Statement of Changes in Equity
for the year ended 30 September 2019

	Called up share capital £	Retained earnings £	Total equity £
Balance at 1 October 2017	-	1,886,721	1,886,721
Changes in equity			
Issue of share capital	100	-	100
Total comprehensive income	-	472,535	472,535
Balance at 30 September 2018	100	2,359,256	2,359,356
Changes in equity			
Total comprehensive income	-	(439,661)	(439,661)
Balance at 30 September 2019	100	1,919,595	1,919,695

The notes form part of these financial statements

1. STATUTORY INFORMATION

Fruehauf Ltd 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 Company Information page.

The presentation currency of the financial statements is the Pound Sterling (£).

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.

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 4 Statement of Financial Position paragraph 4.12(a)(iv);
- the requirements of Section 7 Statement of Cash Flows;
- the requirement of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.41(b), 11.41(c), 11.41(e), 11.41(f), 11.42, 11.44, 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 26 Share-based Payment paragraphs 26.18(b), 26.19 to 26.21 and 26.23;
- the requirement of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Red Circle Investments Limited as at 30 September 2019 and these financial statements can be obtained from the company's registered office.

Preparation of consolidated financial statements
The financial statements contain information about Fruehauf Ltd as an individual company and do not contain consolidated financial information as the parent of a group. The company is exempt under Section 400 of the Companies Act 2006 from the requirements to prepare consolidated financial statements as it and its subsidiary undertaking are included by full consolidation in the consolidated financial statements of its parent, Red Circle Investments Ltd, 1-2 Charterhouse Mews, London, EC1M 6BB.

Going concern
The directors have prepared financial projections which, based on their knowledge at the date of approval of these financial statements, demonstrate that the Company can continue to trade for the foreseeable future and have therefore prepared the financial statements on a going concern basis. The directors have considered a period in excess of twelve months from the date of approval of these financial statements in making their assessment.

continued...

2. ACCOUNTING POLICIES - continued

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

Sale of goods
Revenue from the sale of goods is recognised when all of the following conditions are satisfied:
- the Company has transferred the significant risks and rewards of ownership to the buyer;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services
Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:
- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

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

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

Tangible fixed assets
Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it be capable of operating in the manner intended by management.

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

Depreciation is provided on the following basis:

Plant and machinery	5 - 10 years
Motor vehicles	4 years
Computer equipment	3 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 in the Statement of Comprehensive Income.

continued...

2. ACCOUNTING POLICIES - continued

Stocks
Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

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

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

Taxation
Taxation for the year comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income, 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
Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

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

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income except when deferred in other comprehensive income as qualifying cash flow hedges.

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'.

continued...

2. ACCOUNTING POLICIES - continued

Operating leases: the company as a lessee
Rentals paid under operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

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

The contributions are recognised as an expense int he Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the Company in independently administered funds.

Research and development
In the research phase of an internal project is is not possible to demonstrate the the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred. Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured. The capitalised development costs are subsequently amortised on a straight line basis over their useful economic lives, which range from 3 to 6 years. If it is not possible to distinguish between the research phase and the development phase of an internal project, the expenditure is treated as if it were all incurred in the research phase only.

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

Finance costs
Finance costs are charged to the Statement of Comprehensive Income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

Borrowing costs
All borrowing costs are recognised in the Statement of Comprehensive Income in the year in which they were incurred.

continued...

2. **ACCOUNTING POLICIES - continued**

Debtors
Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transactions costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

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.

Creditors
Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transactions costs, and are measured subsequently at amortised cost using the effective interest method.

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

continued...

2. **ACCOUNTING POLICIES - continued**

Financial instruments
The Company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in the case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Profit and Loss.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

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

Financial assets and liabilities are offset and the net amount reported in the Balance Sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Critical judgements and key sources of estimation uncertainty
The critical judgements that the directors have made in the process of applying the Company's accounting policies that have the most significant effect on the amounts recognised in the statutory financial statements are discussed below.

(i) Assessing indicators of impairment
In assessing whether there have been any indicators of impairments to assets, the directors have considered both external and internal sources of information such as market conditions, counterparty credit ratings and experience of recoverability and where applicable, the ability of the asset to be operated as planned. There have been no indicators of impairments indemnified during he current financial year.

Key sources of estimation uncertainty
The key assumptions concerning the future, and other key sources of estimation uncertainty, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Recoverability of receivables
The Company establishes a provision for receivables that are estimated not to be recoverable. When assessing recoverability the directors have considered factors such as the aging of the receivables, past experience of recoverability, and the credit profile of individual or groups of customers.

(ii) Determining the stage of completion and profitability of contracts in progress

continued...

2. **ACCOUNTING POLICIES - continued**

The Company determines the stage of completion of work in progress and the revenue and profit or loss attributable to the financial year based on historic financial information available and also forecast information regarding expectations about future performance to completion of the contracts and therefore requires estimates and assumptions to be used by management.

(iii) Determining residual values and useful economic lives of tangible and intangible assets

The Company depreciates tangible assets, and amortises intangible assets, over their estimated useful lives. The estimation of the useful lives of tangible assets is based on historic performance as well as expectations about future use and therefore requires estimates and assumptions to be applied. The estimation of useful lives of intangible assets is based on any contractual or legal rights associated with the asset, or the period in which the Company expects to use the asset if shorter. The actual lives of these assets can vary depending on a variety of factors, including technological innovation, product life cycles and maintenance programmes. Judgement is also applied, when determining the residual values for fixed assets. When determining the residual value, the directors have assessed the amount that the Company would currently obtain for the disposal of the asset, if it were already of the condition expected at the end of its useful life. Where possible this is done with reference to external market prices.

3. **EMPLOYEES AND DIRECTORS**

	2019	2018
	£	£
Wages and salaries	5,059,105	5,322,275
Social security costs	449,451	471,204
Other pension costs	94,949	66,525
	5,603,505	5,860,004

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

	2019	2018
Directors	5	5
Administration and support	35	34
Production	120	126
	160	165

	2019	2018
	£	£
Directors' remuneration	-	-

4. **OPERATING (LOSS)/PROFIT**

The operating loss (2018 - operating profit) is stated after charging/(crediting):

	2019	2018
	£	£
Hire of plant and machinery	229,321	226,204
Depreciation - owned assets	363,252	271,948
Profit on disposal of fixed assets	(3,190)	(27,067)
Development costs amortisation	25,661	20,978
Foreign exchange differences	18,030	13,850

continued...

5. AUDITORS' REMUNERATION

Fruehauf Limited is a subsidiary undertaking of Red Circle Investments Limited. The group audit remuneration is disclosed in the consolidated financial statements of the parent entity.

6. INTEREST PAYABLE AND SIMILAR EXPENSES

	2019	2018
	£	£
Bank interest	20,172	33,121
Loan	304,310	296,151
Leasing	34,237	30,071
	358,719	359,343

7. TAXATION

Analysis of the tax credit
The tax credit on the loss for the year was as follows:

	2019	2018
	£	£
Current tax:		
UK corporation tax	(28,694)	(138,063)
Tax on (loss)/profit	(28,694)	(138,063)

8. INTANGIBLE FIXED ASSETS

	Development costs
	£
COST	
At 1 October 2018	244,610
Additions	15,954
At 30 September 2019	260,564
AMORTISATION	
At 1 October 2018	85,616
Amortisation for year	25,661
At 30 September 2019	111,277
NET BOOK VALUE	
At 30 September 2019	149,287
At 30 September 2018	158,994

continued...

9. TANGIBLE FIXED ASSETS

	Plant and machinery	Motor vehicles	Computer equipment	Totals
	£	£	£	£
COST				
At 1 October 2018	1,529,771	154,375	253,108	1,937,254
Additions	178,189	270,213	56,102	504,504
Disposals	-	-	(55,581)	(55,581)
At 30 September 2019	1,707,960	424,588	253,629	2,386,177
DEPRECIATION				
At 1 October 2018	678,256	28,017	132,007	838,280
Charge for year	263,295	45,826	54,131	363,252
Eliminated on disposal	-	-	(44,462)	(44,462)
At 30 September 2019	941,551	73,843	141,676	1,157,070
NET BOOK VALUE				
At 30 September 2019	766,409	350,745	111,953	1,229,107
At 30 September 2018	851,515	126,358	121,101	1,098,974

10. STOCKS

	2019	2018
	£	£
Stocks	3,523,846	3,204,734

11. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2019	2018
	£	£
Trade debtors	1,481,586	1,507,184
Amounts owed by group undertakings	2,854,609	2,870,367
Other debtors	12,697	29,821
Tax	28,694	-
Prepayments and accrued income	154,737	89,705
	4,532,323	4,497,077

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2019	2018
	£	£
Bank loans and overdrafts (see note 14)	-	300,000
Other loans (see note 14)	1,754,264	1,700,000
Finance leases (see note 15)	104,906	141,960
Trade creditors	3,242,806	3,804,199
Social security and other taxes	179,843	168,878
VAT	1,025,005	852,393
Other creditors	299,573	89,118
Accrued expenses	492,798	378,329
	7,099,195	7,434,877

continued...

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

	2019	2018
	£	£
Bank loans (see note 14)	-	125,000
Other loans (see note 14)	110,199	-
Finance leases (see note 15)	80,584	110,203
Other creditors	456,676	-
	647,459	235,203

14. LOANS

An analysis of the maturity of loans is given below:

	2019	2018
	£	£
Amounts falling due within one year or on demand:		
Bank loans	-	300,000
Other loans	1,754,264	1,700,000
	1,754,264	2,000,000
Amounts falling due between one and two years:		
Bank loans - 1-2 years	-	125,000
Other loans - 1-2 years	110,199	-
	110,199	125,000

15. LEASING AGREEMENTS

Minimum lease payments under finance leases fall due as follows:

	Finance leases	
	2019	2018
	£	£
Net obligations repayable:		
Within one year	104,906	141,960
Between one and five years	80,584	110,203
	185,490	252,163

16. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	2019	2018
			£	£
100	Ordinary	£1	100	100

continued...

17. RESERVES

	Retained earnings £
At 1 October 2018	2,359,256
Deficit for the year	(439,661)
At 30 September 2019	1,919,595

18. RELATED PARTY DISCLOSURES

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, as they are included in the ultimate parent undertakings consolidated financial statements, which are publicly available.

19. POST BALANCE SHEET EVENTS

Subsequent to the year end, there was an outbreak of a global pandemic (Novel Coronavirus disease) resulting in significant financial and economic impact on major economies across the globe and affecting a wide range of industries. At the date of approval of the financial statements, the director is continuing to asses the impact of the above mentioned event in its subsequent period's financial results. The director has concluded that the going concern basis was appropriate in the preparation of the financial statements.

This is a non-adjusting event, the director has not considered any adjustments to the financial statements for the year ended 30 September 2019.

20. ULTIMATE CONTROLLING PARTY

The Company's immediate and ultimate parent undertaking is Red Circle Investments Limited, a company incorporated in England and Wales. The results of the Company and its' subsidiary undertaking are included in the consolidated financial statements of the ultimate parent.

The ultimate controlling party at the balance sheet date was Ms R Turner, the Director and majority shareholder of Red Circle Investments Limited.