

Registered number: 08461559

SEDDON ENGINEERING HOLDINGS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

THURSDAY



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SEDDON ENGINEERING HOLDINGS LIMITED

COMPANY INFORMATION

Directors	S J Seddon G Seddon K L Whitaker
Company secretary	S J Cook
Registered number	08461559
Registered office	Unit A2-A6 Edgefold Industrial Estate Plodder Lane Farnworth Bolton BL4 0LR
Independent auditor	Grant Thornton UK LLP Chartered Accountants & Statutory Auditor 4 Hardman Square Spinningfields Manchester M3 3EB
Bankers	Barclays Bank plc 3 Hardman Street Manchester M3 3HF

SEDDON ENGINEERING HOLDINGS LIMITED

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SEDDON ENGINEERING HOLDINGS LIMITED

GROUP STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

Principal activities

The principal activity of the group during the year was that of the manufacture, distribution and servicing of contractors plant and equipment and the sale of spare parts and equipment. The Group also includes activities such as:

- manufacture and sale of Winget Mixers and dumpers
- vehicle sales, servicing and repairs
- property holding and management
- land development.

The principal activity of the company is that of a holding company for the trading entities held as subsidiaries and joint ventures.

Business review

Turnover of the group for the year ending 31 December 2018 was £21,091k (2017: £22,420k), generating a profit before tax of £178k (2017: £406k).

The balance sheet of the group is strong, comprising £24,231k (2017: £24,179k) of net assets, of which £2,780k (2017: £5,749k) is in cash.

The directors have monitored the progress of the group by reference to certain financial and non-financial key performance indicators:

	2018	2017	Measure
	%	%	
Gross Profit percentage	13.3	13.1	Gross profit/turnover
Return on capital employed	0.7	1.6	Profit before tax/(shareholders funds plus net debt)

Other than general economic risks, the principal risks facing the group are those relating to the specific markets we operate in. Competitive pricing continues to squeeze markets.

Turnover for the group has fallen by 6% from prior year. This is primarily due to a decline in turnover in the Plant and Engineering business which has had a difficult trading year as a result of poor weather conditions and the introduction of a new computer system which detracted from an emphasis on sales growth. Gross profit margins have been maintained however the decline in turnover, with overheads remaining fairly constant, has resulted in the decline in the Group's profit before tax for 2018.

Future review

The Group continues to work to improve the efficiency of their business operations and invest in the trading businesses. Internal reorganisation and the new computer system should facilitate efficiencies and marketing opportunities within the trading business.

Investment continues to be made in property development through related companies and through its joint venture operations.

SEDDON ENGINEERING HOLDINGS LIMITED

GROUP STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

Financial risk management objectives and policies

The group uses financial instruments; these include cash and various items, such as trade debtors and trade creditors that arise directly from its operations.

The existence of these financial instruments exposes the group to a number of financial risks, which are described in more detail below:

- *Liquidity risk* — The group seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash safely and profitably.
- *Interest rate risk* — The group finances its operations through a mixture of retained profits and cash. The interest rate exposure of the financial assets and liabilities of the group as at 31 December 2018 is shown below. The table includes trade debtors and trade creditors which do not attract interest and are therefore not subject to fair value interest rate risk.

FINANCIAL INSTRUMENTS

	Fixed £000	Interest rate Floating £000	Zero £000	Total £000
Financial assets				
Cash	-	2,780	-	2,780
Trade debtors	-	-	2,787	2,787
	<hr/>	<hr/>	<hr/>	<hr/>
	-	2,780	2,787	5,567
Financial liabilities				
Trade creditors	-	-	2,256	2,256
	<hr/>	<hr/>	<hr/>	<hr/>

- *Credit risk* - The group's principal financial assets are cash deposits, cash and trade debtors. The credit risk associated with cash is limited. In order to manage credit risk, the directors set limits for customers based on a combination of payment history and third party credit references. Credit limits are reviewed by the credit controller on a regular basis in conjunction with the debt ageing and collection history.

The United Kingdom referendum vote to leave the European Union still continues to introduce some uncertainty to the Group. However these risks are being managed with the best information available. Interest rate risk in relation to the fluctuation of the Euro continues to be monitored to ensure our pricing strategy is adjusted where necessary.

SEDDON ENGINEERING HOLDINGS LIMITED

GROUP STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

Health and safety

The group gives a high priority to health and safety issues and takes all reasonable measures, and provides sufficient funds, to ensure the health, safety and welfare at work of all its employees. The directors of Seddon Engineering Holdings Limited ensure that the health and safety policies within the subsidiary companies are correctly regulated and promote a positive health and safety attitude with all our staff and operatives.

It is a function of management to provide proper equipment and protective clothing and to plan ways to create an environment in which work may be carried out safely.

Employees have a responsibility to work in a safe manner. To this end, the group liaises with external accident prevention organisations and through its safety and training officers, the provision of safety courses and its safety committees, encourages staff to identify and guard against potential hazards.

Employees

The group maintains a policy of offering employment to disabled persons where practicable, and also, if an existing employee becomes disabled, every effort is made to give continuity of employment. Training is given where appropriate.

Employee consultation

The group places considerable value on the involvement of its employees and has continued to keep them informed of matters affecting them as employees and on the various factors affecting the performance of the group.

This report was approved by the board on 2 May 2019 and signed on its behalf.

S J Seddon
Director



SEDDON ENGINEERING HOLDINGS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

The directors present their report and the financial statements for the year ended 31 December 2018.

Results and dividends

The profit for the year, after taxation, amounted to £114k (2017 - £321k).

The company has declared and paid a dividend in the year of £Nil (2017: £Nil).

Directors

The directors who served during the year were:

S J Seddon
G Seddon
K L Whitaker

Directors' Responsibilities Statement

The directors are responsible for preparing the Group Strategic Report, the Directors' Report and the consolidated 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, including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and 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 group 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 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.

Disclosure of information to auditor

The directors confirm that:

- so far as each director is aware, there is no relevant audit information of which the company and the group's auditor is unaware, and
- the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company and the group's auditor is aware of that information.

SEDDON ENGINEERING HOLDINGS LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018**

Auditor

The auditor, Grant Thornton UK LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 2 May 2019 and signed on its behalf.



S J Cook
Secretary



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SEDDON ENGINEERING HOLDINGS LIMITED

Opinion

We have audited the financial statements of Seddon Engineering Holdings Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2018, which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and company Statements of Financial Position, the Consolidated and company Statement of Changes in Equity, the Consolidated Statement of Cash Flows and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 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 Auditor's 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 or the parent 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.



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SEDDON ENGINEERING HOLDINGS LIMITED (CONTINUED)

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our Auditor's Report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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

Matter on which we are required to report under the Companies Act 2006

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 Directors' Report.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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.



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SEDDON ENGINEERING HOLDINGS LIMITED (CONTINUED)

Responsibilities of directors for the financial statements

As explained more fully in the Directors' Responsibilities Statement on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditor's Report.

Use of our report

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



Stuart Muskett
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Manchester

2 May 2019

SEDDON ENGINEERING HOLDINGS LIMITED

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018**

	Note	2018 £000	2017 £000
Turnover - continuing operations	4	21,091	22,420
Cost of sales		(18,295)	(19,475)
Gross profit		2,796	2,945
Administrative expenses		(2,960)	(2,946)
Other operating income	5	32	28
Operating (loss)/profit	6	(132)	27
Share of profit of joint venture		50	129
Total operating (loss)/profit		(82)	156
Interest receivable and similar income	10	286	291
Interest payable and expenses	11	(1)	(13)
Other finance expense		(25)	(28)
Profit before taxation		178	406
Tax on profit	13	(71)	(69)
Share of joint venture tax		7	(16)
Profit for the financial year		114	321
Actuarial loss on defined benefit pension scheme		(75)	(142)
Deferred tax on actuarial loss on defined benefit pension scheme		13	24
Other comprehensive income for the year		(62)	(118)
Total comprehensive income for the year		52	203
Profit for the year attributable to:			
Owners of the parent company		114	321
		114	321

The notes on pages 18 to 44 form part of these financial statements.

SEDDON ENGINEERING HOLDINGS LIMITED
REGISTERED NUMBER:08461559

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

	Note	2018 £000	2017 £000
Fixed assets			
Tangible assets	15	3,371	3,618
Investments	16	-	21
		<u>3,371</u>	<u>3,639</u>
Current assets			
Stocks	17	4,218	3,890
Debtors: amounts falling due within one year	18	18,424	15,910
Cash at bank and in hand	19	2,780	5,749
		<u>25,422</u>	<u>25,549</u>
Creditors: amounts falling due within one year	20	(3,502)	(3,862)
Net current assets		<u>21,920</u>	<u>21,687</u>
Total assets less current liabilities		<u>25,291</u>	<u>25,326</u>
Provisions for liabilities			
Other provisions		(13)	-
		<u>(13)</u>	<u>-</u>
Net assets excluding pension liability		<u>25,278</u>	<u>25,326</u>
Pension liability	28	(1,047)	(1,147)
Net assets		<u><u>24,231</u></u>	<u><u>24,179</u></u>
Capital and reserves			
Called up share capital	24	43	43
Capital redemption reserve	25	35	35
Merger reserve	25	23,582	23,582
Profit and loss account	25	571	519
Equity attributable to owners of the parent company		<u>24,231</u>	<u>24,179</u>
		<u><u>24,231</u></u>	<u><u>24,179</u></u>

SEDDON ENGINEERING HOLDINGS LIMITED
REGISTERED NUMBER:08461559

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 31 DECEMBER 2018

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 2 May 2019.



S J Seddon
Director

The notes on pages 18 to 44 form part of these financial statements.

SEDDON ENGINEERING HOLDINGS LIMITED
REGISTERED NUMBER:08461559

COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

	Note	2018 £000	2017 £000
Fixed assets			
Tangible assets	15	28	59
Investments	16	31	31
		<u>59</u>	<u>90</u>
Current assets			
Debtors: amounts falling due within one year	18	15,791	13,420
Cash at bank and in hand	19	579	2,974
		<u>16,370</u>	<u>16,394</u>
Creditors: amounts falling due within one year	20	(1,397)	(1,482)
Net current assets		<u>14,973</u>	<u>14,912</u>
Total assets less current liabilities		<u>15,032</u>	<u>15,002</u>
Net assets excluding pension liability		<u>15,032</u>	<u>15,002</u>
Pension liability	28	(1,047)	(1,147)
Net assets		<u><u>13,985</u></u>	<u><u>13,855</u></u>
Capital and reserves			
Called up share capital	24	43	43
Capital redemption reserve	25	35	35
Profit and loss account brought forward		13,777	13,910
Profit/(loss) for the year		192	(15)
Other changes in the profit and loss account		(62)	(118)
Profit and loss account carried forward		<u>13,907</u>	<u>13,777</u>
		<u><u>13,985</u></u>	<u><u>13,855</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 2 May 2019.

S J Seddon
Director



The notes on pages 18 to 44 form part of these financial statements.

SEDDON ENGINEERING HOLDINGS LIMITED

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018**

	Called up share capital	Capital redemption reserve	Merger relief reserve	Profit and loss account	Total equity
	£000	£000	£000	£000	£000
At 1 January 2018	43	35	23,582	519	24,179
Comprehensive income for the year					
Profit for the year	-	-	-	114	114
Deferred tax movements	-	-	-	13	13
Actuarial loss on pension scheme	-	-	-	(75)	(75)
Total comprehensive loss for the year	-	-	-	(62)	(62)
Total comprehensive loss for the year	-	-	-	52	52
Total transactions with owners	-	-	-	-	-
At 31 December 2018	43	35	23,582	571	24,231

The notes on pages 18 to 44 form part of these financial statements.

SEDDON ENGINEERING HOLDINGS LIMITED

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017**

	Called up share capital	Capital redemption reserve	Merger relief reserve	Profit and loss account	Total equity
	£000	£000	£000	£000	£000
At 1 January 2017	43	35	23,582	316	23,976
Comprehensive income for the year					
Profit for the year	-	-	-	321	321
Deferred tax movements	-	-	-	24	24
Actuarial loss on pension scheme	-	-	-	(142)	(142)
Other comprehensive income for the year	-	-	-	(118)	(118)
Total comprehensive income for the year	-	-	-	203	203
Total transactions with owners	-	-	-	-	-
At 31 December 2017	43	35	23,582	519	24,179

The notes on pages 18 to 44 form part of these financial statements.

SEDDON ENGINEERING HOLDINGS LIMITED

**COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018**

	Called up share capital	Capital redemption reserve	Profit and loss account	Total equity
	£000	£000	£000	£000
At 1 January 2018	43	35	13,777	13,855
Comprehensive income for the year				
Profit for the year	-	-	192	192
Deferred tax movements	-	-	13	13
Actuarial loss on pension scheme	-	-	(75)	(75)
Other comprehensive loss for the year	-	-	(62)	(62)
Total comprehensive loss for the year	-	-	130	130
At 31 December 2018	43	35	13,907	13,985

The notes on pages 18 to 44 form part of these financial statements.

**COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017**

	Called up share capital	Capital redemption reserve	Profit and loss account	Total equity
	£000	£000	£000	£000
At 1 January 2017	43	35	13,910	13,988
Comprehensive income for the year				
Loss for the year	-	-	(15)	(15)
Deferred tax movements	-	-	24	24
Actuarial loss on pension scheme	-	-	(142)	(142)
Other comprehensive income for the year	-	-	(118)	(118)
Total comprehensive income for the year	-	-	(133)	(133)
At 31 December 2017	43	35	13,777	13,855

The notes on pages 18 to 44 form part of these financial statements.

SEDDON ENGINEERING HOLDINGS LIMITED

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018**

	2018	2017
	£000	£000
Cash flows from operating activities		
Profit for the financial year	114	321
Adjustments for:		
Depreciation of tangible assets	351	331
Profit on disposal of tangible assets	(27)	(23)
Interest paid	1	13
Interest received	(286)	(291)
Taxation charge	64	85
(Increase)/decrease in stocks	(327)	367
(Increase) in debtors	(2,741)	(1,157)
(Decrease)/increase in creditors	(425)	180
Defined benefit pension scheme expenses	(175)	(129)
Share of operating profit in joint ventures	(50)	(129)
Corporation tax received/(paid)	234	(42)
Net cash used in operating activities	(3,267)	(474)
Cash flows from investing activities		
Purchase of tangible fixed assets	(104)	(515)
Sale of tangible fixed assets	27	35
Interest received	286	291
Dividends received from joint venture	90	96
Net cash generated from/(used in) investing activities	299	(93)

SEDDON ENGINEERING HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018

	2018 £000	2017 £000
Cash flows from financing activities		
Interest paid	(1)	(13)
Net cash used in financing activities	<u>(1)</u>	<u>(13)</u>
Net decrease in cash and cash equivalents	(2,969)	(580)
Cash and cash equivalents at beginning of year	5,749	6,329
Cash and cash equivalents at the end of year	<u>2,780</u>	<u>5,749</u>
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	2,780	5,749
	<u>2,780</u>	<u>5,749</u>

The notes on pages 18 to 44 form part of these financial statements.

SEDDON ENGINEERING HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

1. General information

Seddon Engineering Holdings Limited is a private company limited by shares and incorporated in England and Wales. Its registered head office (which also acts as the principal place of business) is located at Unit A2-A6, Edgefold Industrial Estate, Plodder Lane, Farnworth, Bolton, BL4 0LR.

The principal activity has been disclosed within the Group Strategic Report.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The financial statements are presented in Sterling (£).

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires group management to exercise judgement in applying the group's accounting policies (see note 3).

The company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of Comprehensive Income in these financial statements.

The following principal accounting policies have been applied:

2.2 Basis of consolidation

The consolidated financial statements present the results of the group and its own subsidiaries ("the group") as if they form a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the Statement of Financial Position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Consolidated Statement of Comprehensive Income from the date on which control is obtained. They are deconsolidated from the date control ceases.

In accordance with the transitional exemption available in FRS 102, the group has chosen not to retrospectively apply the standard to business combinations that occurred before the date of transition to FRS 102, being 01 January 2015.

Therefore, the group continues to recognise a merger reserve which arose on a past business combination that was accounted for as a merger in accordance with UK GAAP as applied at that time.

SEDDON ENGINEERING HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

2. Accounting policies (continued)

2.3 Associates and joint ventures

An entity is treated as a joint venture where the group is a party to a contractual agreement with one or more parties from outside the group to undertake an economic activity that is subject to joint control.

An entity is treated as an associated undertaking where the group exercises significant influence in that it has the power to participate in the operating and financial policy decisions.

In the consolidated accounts, interests in associated undertakings are accounted for using the equity method of accounting. Under this method an equity investment is initially recognised at the transaction price (including transaction costs) and is subsequently adjusted to reflect the investors share of the profit or loss, other comprehensive income and equity of the associate. The Consolidated Statement of Comprehensive Income includes the group's share of the operating results, interest, pre-tax results and attributable taxation of such undertakings applying accounting policies consistent with those of the group. The group's share of loss is only recognised in the consolidated Consolidated Statement of Comprehensive Income if the investor has a legal or constructive obligation for the loss. In the Consolidated Statement of Financial Position, the interests in associated undertakings are shown as the group's share of the identifiable net assets, including any unamortised premium paid on acquisition.

Any premium on acquisition is dealt with in accordance with the goodwill policy.

2.4 Going concern

The financial statements have been prepared on the going concern basis which the directors believe is appropriate for the following reasons. The group continues to meet its day to day working capital requirements through its cash balances. The directors have prepared and reviewed cash flow forecasts for the period ending 12 months from the date of approval of these financial statements for the trading subsidiary companies, which they consider to be achievable given the current levels of trading. The directors are confident that the company and its subsidiaries have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

2.5 Turnover

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the group and turnover can be readily measured. Turnover is measured at the fair value of the consideration received or receivable, net of discounts and value added taxes. Turnover includes revenue earned from the sale of goods and from the rendering of services.

Sale of goods and vehicles

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 customer has signed for the delivery of the goods.

Vehicle service sales

Turnover on vehicle service sales is recognised at the point that the services are delivered.

SEDDON ENGINEERING HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

2. Accounting policies (continued)

2.6 Tangible fixed assets

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

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

If an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

The group adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the group. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

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.

The estimated useful lives range as follows:

Freehold property	- 50 years
Leasehold improvements	- between 5 and 10 years
Plant and machinery and fixtures and fittings	- between 3 and 10 years
Motor vehicles	- between 3 and 4 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 Consolidated Statement of Comprehensive Income.

2.7 Investments in subsidiaries, associates and joint ventures

Investments in subsidiaries, associates and joint ventures are measured at cost less accumulated impairment.

SEDDON ENGINEERING HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

2. Accounting policies (continued)

2.8 Stocks

Raw materials and consumables, and work in progress are stated at the lower of cost and net realisable value. For raw materials and consumable stores, cost is calculated either on the FIFO basis. For work in progress and finished goods, cost is calculated as average direct cost of production plus overheads.

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

2.9 Debtors

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

2.10 Cash and cash equivalents

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

2.11 Financial instruments

The group only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors and loans to and from related parties.

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

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

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

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

SEDDON ENGINEERING HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

2. Accounting policies (continued)

2.12 Creditors

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

2.13 Foreign currency translation

Functional and presentation currency

The company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

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

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Consolidated 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 Consolidated Statement of Comprehensive Income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Consolidated Statement of Comprehensive Income within 'other operating income'.

2.14 Finance costs

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

2.15 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

SEDDON ENGINEERING HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

2. Accounting policies (continued)

2.16 Pensions

The company and other group companies pay contributions to a Group Personal Pension Plan, an arrangement that was established in 2011 and provides benefits for employees on a money purchase basis. Seddon Engineering Holdings Limited also participates in the Seddon Engineering Retirement Scheme, a pension scheme that provides benefits on a defined benefit basis. Certain group companies also contribute to The Peoples Pension operated by B&CE.

Defined benefit scheme

Scheme assets are measured at fair value. Scheme liabilities are measured on an actuarial basis using the projected unit method and are discounted at appropriate high quality corporate bond rates. The net surplus or deficit is presented separately from other net assets on the Statement of financial position. A net surplus is recognised only to the extent that it is recoverable.

The current service cost and costs from settlements and curtailments are charged against operating profit. Past service costs are spread over the period until the benefit increases vest. Interest on the scheme liabilities and the expected return on scheme assets are included net in other finance costs. Actuarial gains and losses are reported in other comprehensive income.

Defined contribution schemes

The group operates a Group Personal Pension Plan for its employees. The group pays fixed contributions into a separate entity, once the contributions have been paid the group has no further payment obligations.

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

2.17 Interest income

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

SEDDON ENGINEERING HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

2. Accounting policies (continued)

2.18 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Consolidated Statement of Comprehensive Income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company and the group operate and generate income.

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

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the group can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

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

2.19 Research and development

Research and development expenditure is charged to profit and loss in the period in which it is incurred.

SEDDON ENGINEERING HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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

The directors consider the key judgements and estimates in the accounts to be as follows:

- the valuation of pension scheme liabilities
- stock provisions
- doubtful debt provisions

Defined benefit pension scheme liability

The present value of the defined benefit pension scheme depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in the note 27, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at the 30 June 2017 actuarial valuation has been used by the actuary in valuing the pensions liability at 31 December 2018. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

Stock provisions and doubtful debt provisions

Management review the recoverable amount of stock, trade debtors and amounts owed by joint ventures and related undertakings at each financial year and provide against any assets which management believe are not recoverable in part or in full.

4. Turnover

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

	2018 £000	2017 £000
Sale of goods	20,220	20,984
Vehicle service sales	871	1,436
	<u>21,091</u>	<u>22,420</u>

Analysis of turnover by country of destination:

	2018 £000	2017 £000
United Kingdom	19,801	20,970
Rest of Europe	355	336
Rest of the world	935	1,114
	<u>21,091</u>	<u>22,420</u>

SEDDON ENGINEERING HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

5. Other operating income

	2018	2017
	£000	£000
Rental income	5	5
Profit on disposal of tangible assets	27	23
	<u>32</u>	<u>28</u>

6. Operating (loss)/profit

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

	2018	2017
	£000	£000
Research & development charged as an expense	27	23
Depreciation of tangible fixed assets	351	331
	<u>378</u>	<u>354</u>

7. Auditor's remuneration

	2018	2017
	£000	£000
Fees payable to the group's auditor and its associates for the audit of the group's annual accounts	4	4
Fees payable to the group's auditor and its associates in respect of:		
The auditing of accounts of associates of the group pursuant to legislation	30	29
Other services relating to taxation	8	13
Other non-audit fees	4	18
	<u>46</u>	<u>64</u>

SEDDON ENGINEERING HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

8. Employees

Staff costs, including directors' remuneration, were as follows:

	Group 2018 £000	<i>Group 2017 £000</i>	Company 2018 £000	<i>Company 2017 £000</i>
Wages and salaries	2,621	<i>2,753</i>	462	<i>472</i>
Social security costs	247	<i>254</i>	52	<i>56</i>
Pension costs	440	<i>404</i>	77	<i>241</i>
	3,308	<i>3,411</i>	591	<i>769</i>

Other pension costs - operating charges doesn't include contributions made to the defined benefit pension scheme amounting to £200,000 (2017: £157,000) as detailed in note 28.

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

	Group 2018 No.	<i>Group 2017 No.</i>	Company 2018 No.	<i>Company 2017 No.</i>
Manufacturing, workshop employees and drivers	36	<i>38</i>	-	-
Sales and distribution staff	32	<i>33</i>	-	-
Technical and administration staff	41	<i>42</i>	11	<i>11</i>
	109	<i>113</i>	11	<i>11</i>

9. Directors' remuneration

	2018 £000	<i>2017 £000</i>
Directors' emoluments	183	<i>199</i>

During the year retirement benefits were accruing to 1 director (2017: 1) in respect of defined contribution pension schemes.

SEDDON ENGINEERING HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

10. Interest receivable

	2018 £000	2017 £000
Other interest receivable	278	279
Bank interest arising on other deposits	8	12
	286	291

11. Interest payable and similar expenses

	2018 £000	2017 £000
Interest on other loans	1	13

12. Other finance costs

	2018 £000	2017 £000
Net interest on net defined benefit liability	25	28

SEDDON ENGINEERING HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

13. Taxation

	2018 £000	2017 £000
Corporation tax		
Current tax on profits for the year	23	75
	<u>23</u>	<u>75</u>
Total current tax	<u>23</u>	<u>75</u>
Deferred tax		
Current period	16	4
Adjustments in respect of previous periods	32	(10)
Total deferred tax	<u>48</u>	<u>(6)</u>
Taxation on profit on ordinary activities	<u>71</u>	<u>69</u>

SEDDON ENGINEERING HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

13. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is the same as (2017 - lower than) the standard rate of corporation tax in the UK of 19% (2017:19.25%). The differences are explained below:

	2018 £000	2017 £000
Profit on ordinary activities before tax	185	390
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2017 - 19.25%)	35	75
Effects of:		
Expenses not deductible for tax purposes	6	44
Capital allowances for year in excess of depreciation	14	10
Other income and capital gains not taxable	(14)	(50)
Adjustment in respect of previous periods - deferred tax	31	(9)
Adjust closing deferred tax rate	(1)	(1)
Total tax charge for the year	71	69

Factors that may affect future tax charges

There was a reduction in the main rate of corporation tax to 19% from 1 April 2017, and following Budget 2016 announcements the rate will fall to 17% in 2020.

14. Parent company profit/(loss) for the year

The company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of Comprehensive Income in these financial statements. The profit after tax of the parent company for the year was £192K (2017 - loss £15K).

SEDDON ENGINEERING HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

15. Tangible fixed assets

Group

	Freehold property £000	Leasehold improvements £000	Plant and machinery £000	Motor vehicles £000	Fixtures and fittings £000	Total £000
Cost or valuation						
At 1 January 2018	3,185	498	126	812	915	5,536
Additions	-	1	-	88	15	104
Disposals	-	-	(17)	(151)	(74)	(242)
At 31 December 2018	3,185	499	109	749	856	5,398
Depreciation						
At 1 January 2018	191	430	118	465	714	1,918
Charge for the year on owned assets	48	30	1	195	77	351
Disposals	-	-	(17)	(151)	(74)	(242)
At 31 December 2018	239	460	102	509	717	2,027
Net book value						
At 31 December 2018	2,946	39	7	240	139	3,371
At 31 December 2017	2,994	68	8	347	201	3,618

SEDDON ENGINEERING HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

15. Tangible fixed assets (continued)

Company

	Motor vehicles £000
Cost or valuation	
At 1 January 2018	118
Additions	24
Disposals	(58)
At 31 December 2018	<u>84</u>
Depreciation	
At 1 January 2018	59
Charge for the year on owned assets	55
Disposals	(58)
At 31 December 2018	<u>56</u>
Net book value	
At 31 December 2018	<u><u>28</u></u>
At 31 December 2017	<u><u>59</u></u>

SEDDON ENGINEERING HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

16. Fixed asset investments

Group

	Investment in joint ventures £000
At 1 January 2018	21
Share of profit/(loss)	(21)
At 31 December 2018	-

The investment is shown as £Nil and the share of net liabilities of £13,009 has been included as a provision within the accounts (2017: £20,506 share of net assets). The share of net assets/(liabilities) in joint ventures is represented by gross assets of £6,052,053 (2017: £2,013,433) and gross liabilities of £6,078,221 (2017: £1,992,927).

The aggregate of Seddon Engineering Holdings Limited's share in its joint ventures is shown for the following balance sheet items in accordance with FRS 102:

	2018 £000	2017 £000
Current assets	3,026	2,013
Liabilities	(3,039)	(1,993)

In addition, a loss made by a joint venture of £1,142 (2017: £165,732) has not been recognised as the directors do not believe the group has a legal or constructive obligation in respect of this loss.

SEDDON ENGINEERING HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

16. Fixed asset investments (continued)

Company

	Investments in group companies £000
Cost or valuation	
At 1 January 2018	31
At 31 December 2018	31

The aggregate of Seddon Engineering Holdings Limited's share in its joint ventures is shown for the following balance sheet items in accordance with FRS 102:

	2018 £000	2017 £000
Current assets	3,026	2,013
Liabilities	(3,039)	(1,993)
	(13)	20

Subsidiary undertakings

The following were subsidiary undertakings of the company:

Name	Principal activity	Class of shares	Holding
Seddons (Plant & Engineers) Limited	Manufacture, distribution and servicing of contractors' plant and equipment and the sale of contractors' plant spares	Ordinary	100%
Brownpower Engineering Limited	Dormant	Ordinary	100%
Winget Limited	Manufacture of mixers and dumpers and sale of spares	Ordinary	100%
District Garage Limited	Garage proprietors	Ordinary	100%
G5 Estates Limited	Property holding and management	Ordinary	100%
BP93 Limited	Dormant (Dissolved 16 April 2019)	Ordinary	100%

SEDDON ENGINEERING HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

16. Fixed asset investments (continued)

Participating interests

Joint ventures

Name	Country of incorporation	Principal activity	Class of shares	Holding
Ascalon Properties Limited	England & Wales	Property development	A Ordinary	50%
Chipping Homes Limited	England & Wales	Property development	B Ordinary	25%
Euxton Lane Developments Limited	England & Wales	Property development	B Ordinary	25%
S D Prime Point Limited	England & Wales	Property development	B Ordinary	50%

The shares in Euxton Lane Developments Limited and Chipping Homes Limited are owned by Ascalon Properties Limited, which owns 50%.

17. Stocks

	Group 2018 £000	Group 2017 £000	Company 2018 £000	Company 2017 £000
Raw materials and consumables	932	781	-	-
Work in progress	48	78	-	-
Finished products	3,238	3,031	-	-
	4,218	3,890	-	-

Stock recognised in cost of sales during the year as an expense was £16,943k (2017: £18,042k).

An impairment loss of £78k (2017: £84k) was recognised in cost of sales against slow-moving and obsolete stock.

18. Debtors

	Group 2018 £000	Group 2017 £000	Company 2018 £000	Company 2017 £000
Trade debtors	2,787	2,599	9	14
Amounts owed by group undertakings	327	238	677	568
Amounts owed by joint ventures and associated undertakings	14,659	12,250	14,659	12,248
Other debtors	176	288	201	283
Prepayments and accrued income	159	256	14	5
Tax recoverable	81	10	49	104

SEDDON ENGINEERING HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

18. Debtors (continued)

Deferred taxation (note 22)	235	269	182	198
	<u>18,424</u>	<u>15,910</u>	<u>15,791</u>	<u>13,420</u>

An impairment loss of £2k (2017: £7k) was recognised against trade debtors.

19. Cash and cash equivalents

	Group 2018 £000	<i>Group 2017 £000</i>	Company 2018 £000	<i>Company 2017 £000</i>
Cash at bank and in hand	<u>2,780</u>	<u>5,749</u>	<u>579</u>	<u>2,974</u>

20. Creditors: Amounts falling due within one year

	Group 2018 £000	<i>Group 2017 £000</i>	Company 2018 £000	<i>Company 2017 £000</i>
Trade creditors	2,256	2,091	18	1
Amounts owed to related parties	766	1,021	766	1,021
Amounts owed to group companies	-	20	515	369
Corporation tax	65	-	-	-
Other taxation and social security	149	249	46	45
Other creditors	52	40	-	-
Accruals and deferred income	214	441	52	46
	<u>3,502</u>	<u>3,862</u>	<u>1,397</u>	<u>1,482</u>

SEDDON ENGINEERING HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

21. Financial instruments

	Group 2018 £000	Group 2017 £000	Company 2018 £000	Company 2017 £000
Financial assets				
Financial assets that are debt instruments measured at amortised cost	19,958	21,124	16,091	16,087
Financial liabilities				
Financial liabilities measured at amortised cost	(3,279)	(3,613)	(1,562)	(1,436)

Financial assets that are debt instruments measured at amortised cost comprise cash and other assets that have the contractual right to receive cash.

Financial liabilities measured at amortised cost comprise other liabilities which have the contractual obligation to deliver cash.

SEDDON ENGINEERING HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

22. Deferred taxation

Group

	2018 £000	2017 £000
At beginning of year	269	238
Charged to profit or loss	(14)	7
Charged to other comprehensive income	13	24
Prior year adjustment	(33)	-
At end of year	235	269

Company

	2018 £000	2017 £000
At beginning of year	198	201
Charged to profit or loss	(29)	(27)
Charged to other comprehensive income	13	24
At end of year	182	198

	Group 2018 £000	Group 2017 £000	Company 2018 £000	Company 2017 £000
Accelerated capital allowances	57	41	4	3
Short term timing differences	-	33	-	-
Pension surplus	178	195	178	195
	235	269	182	198

SEDDON ENGINEERING HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

23. Provisions

Group

	Share of joint venture net liabilities £000
Charged to profit or loss	13
At 31 December 2018	13

24. Share capital

	2018 £000	2017 £000
Authorised, allotted, called up and fully paid		
43,334 (2017 - 43,334) GS Ordinary shares of £1 each	43	43

25. Reserves

Capital redemption reserve

This reserve is used where the shares are redeemed or bought back, the company is required to either replenish the capital by issuing fresh shares in lieu of the redeemed or bought back shares or to transfer their funds to this reserve.

Merger Reserve

Represents the value above nominal value of shares issued during the group restructure.

Profit and loss account

Includes all current and prior periods retained profits and losses.

26. Contingent liabilities

Contingent liabilities exist at 31 December 2018 in respect of counter-indemnities to H M Revenue and Customs totalling £60,000 (2017: £60,000).

Seddon Engineering Holdings Limited has guaranteed a bank loan owed by Ascalon Properties Limited, a joint venture undertaking. The value of the bank loan outstanding at 31 December 2018 amounted to £210k (2017: £210k).

The directors have confirmed that there are no other contingent liabilities at 31 December 2018 or 31 December 2017.

SEDDON ENGINEERING HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

27. Capital commitments

The directors have confirmed that there are no capital commitments at 31 December 2018 and 31 December 2017.

28. Pension commitments

The group operates a Defined Benefit Pension Scheme.

The Seddon Group Retirement Scheme is a final salary scheme whose assets are held in independently managed funds separate from those of the group. The scheme is closed to new members and future accrual. Annual contributions are paid on the recommendation of independent qualified actuaries following triennial actuarial valuations, the latest of which was at 30 June 2017. The valuation method used is the Defined Accrued Benefits method.

The following disclosures under FRS 102 relate to the assets and liabilities in the Seddon Engineering Retirement Scheme. The net pension scheme liability is secured against properties held by other group companies.

The following information is based upon the full actuarial valuation of the fund at 30 June 2017 actuarial valuation updated to 31 December 2018 by a qualified independent actuary:

Reconciliation of present value of plan liabilities:

	2018 £000	2017 £000
Reconciliation of present value of plan liabilities		
At the beginning of the year	6,203	6,027
Interest cost	145	153
Actuarial losses	(160)	342
Benefits paid	(350)	(319)
At the end of the year	5,838	6,203

Reconciliation of present value of plan assets:

	2018 £000	2017 £000
At the beginning of the year	5,056	4,893
Expected return	120	125
Actuarial losses/(gains)	(235)	200
Contributions by employer	200	157
Benefits paid	(350)	(319)
At the end of the year	4,791	5,056

SEDDON ENGINEERING HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

28. Pension commitments (continued)

Composition of plan assets:

	2018 £000	2017 £000
LDI	566	578
Diversified growth fund	2,705	2,967
Cash	503	504
Alternatives	1,017	1,007
Total plan assets	4,791	5,056
	2018 £000	2017 £000
Fair value of plan assets	4,791	5,056
Present value of plan liabilities	(5,838)	(6,203)
Net pension scheme liability	(1,047)	(1,147)

The amounts recognised in profit or loss and other comprehensive income are as follows:

	2018 £000	2017 £000
Profit or loss		
Interest on obligation	(145)	(153)
Interest income	120	125
Total	(25)	(28)
Other comprehensive income		
Actual losses/(gains) on plan assets	(235)	200
Actual losses/(gains) on plan liabilities	160	(342)
	(75)	(142)

The cumulative amount of actuarial gains and losses recognised in the Statement of comprehensive income was £1,083 (2017 - £1,008k)

The group expects to contribute £400,000 to its Defined Benefit Pension Scheme in 2019.

SEDDON ENGINEERING HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

28. Pension commitments (continued)

Principal actuarial assumptions at the Statement of Financial Position date (expressed as weighted averages):

	2018	2017
	%	%
Discount rate	2.6	2.4
Rate of increase for pensions in payment Post 88 Guaranteed Minimum Pension	2.0	2.0
Inflation assumption (RPI)	3.3	3.2
Inflation assumption (CPI)	2.3	2.2
Mortality rates		
- for a male aged 65 now	20.9	21.1
- at 65 for a male aged 45 now	21.9	22.2
- for a female aged 65 now	22.8	22.9
- at 65 for a female member aged 45 now	24.0	24.1

Amounts for the current and previous four periods are as follows:

Defined benefit pension schemes

	2018	2017	2016	2015	2014
	£000	£000	£000	£000	£000
Defined benefit obligation	(5,838)	(6,203)	(6,027)	(5,393)	(5,771)
Scheme assets	4,791	5,056	4,893	4,732	4,735
Deficit	(1,047)	(1,147)	(1,134)	(661)	(1,036)
Experience adjustments on scheme liabilities	-	-	-	-	333
Experience adjustments on scheme assets	-	-	-	-	-
	-	-	-	-	333

Defined contribution schemes

During the year, the group also operated a Group Personal Pension Plan, the assets of which are held in independently administered funds.

SEDDON ENGINEERING HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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29. Related party transactions

As a wholly owned subsidiary of Edgefold Holdings Limited, the company is exempt from the requirements of FRS 102 section 33 from disclosing transactions with group companies.

The company undertook transactions with related parties (related as a result of common directors) and joint ventures during the year and the balances outstanding with these parties at 31 December 2018 as follows:

	Income		Debtors		Expenditure		Creditors	
	2018	2017	2018	2017	2018	2017	2018	2017
	£000	£000	£000	£000	£000	£000	£000	£000
Joint ventures								
Ascalon Properties Limited	35	59	5,138	3,211	-	-	-	-
S D Prime Point Limited	-	-	1,527	1,000	-	-	-	-
Related Parties								
Geohn Estates Limited	192	190	6,107	6,297	-	-	-	-
Geohn Developments Limited	27	-	980	923	-	-	(68)	-
KRMCo Limited	-	-	-	-	-	13	(750)	(1,000)

During a prior year a loan was provided by the company to Geohn Estates Limited. The loan is repayable on demand or on disposal of the property for which the loan is secured. Interest is payable at a rate of 2.5% above the Bank of England base rate. The balance included in debtors at the year end amounts to £6,107,398 (2017: £6,296,888) and interest receivable during the year amounted to £192,094 (2017: £190,399).

During a prior year a loan was provided by the company to Ascalon Properties Limited. The loan is repayable within 3 months of the crystallisation of a project and is secured by a debenture. Interest is payable on the loan at 5% above the Bank of England base rate, for which £35,060 (2017: £58,913) has been reflected in the group accounts after making provision for an element of interest that management do not believe will be recovered. The balance included in debtors at the year end amounts to £5,137,536 (2017: £3,211,431). Interest payable in Ascalon Properties Limited financial statements has been reflected at £196,490 (2017: £181,943).

During a prior year an unsecured loan was provided by the group to Geohn Developments Limited. The loan is repayable on demand and interest is payable on the loan at 2.5% above the Bank of England base rate. The balance included in debtors at the year end amounts to £980,059 (2017: £923,272) and interest receivable during the year amounted to £27,267 (2017: £Nil). No interest has been reflected in the financial statements as management has only reflected in the financial statements the element of the interest and debtor that they believe is recoverable.

During a prior year an unsecured loan was provided to the group by KRMCo Limited which was fully repaid in January 2018. In November 2019, a new loan was provided by KRMCo Limited repayable in 12 months and interest is payable on the loan at 3% above the Bank of England base rate. The balance included in creditors at the year end amounts to £750,000 (2017: £1,000,000) and interest payable during the year amounted to £660 (2017: £12,904).

The individuals that are considered by the company to be key management personnel have received remuneration totalling £260,513 (2017: £274,228).

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30. Transactions with directors

During a prior year loans were made to a director. Interest was receivable on the loan during the year at a rate of 2.5% (2017: 2.5%) and amounted to £23,727 (2017: £27,892). The maximum amount outstanding on the loan during the year amounted to £916,183 (2017: £1,165,235) and the amount repayable by the director at the year end amounted to £907,020 (2017: £816,316).

In addition, during a previous year the group received a loan from a director. The amount owed by the group at 31 December 2018 amounts to £16,068 (2017: £20,530). Interest payable by the group during the year amounted to £83 (2017: £129).

31. Controlling party

The ultimate parent company is Edgefold Holdings Limited, a company incorporated in England and Wales. Copies of the parent company's consolidated financial statements are available from Companies House.