

ARW Transformers Limited

Company registration number SC021727

Filing Financial Statements

For the Year Ended 31 October 2018



ARW Transformers Limited

Company Information

Directors	M McVitie S Wootton
Company secretary	M McVitie
Registered number	SC021727
Registered office	Block 1, Units 3 and 4 Thornliebank Industrial Estate Thornliebank Glasgow G46 8JF
Accountants	Scott-Moncrieff Chartered Accountants 25 Bothwell Street Glasgow G2 6NL
Bankers	Bank of Scotland 54-62 Sauchiehall Street Glasgow G2 3AH
Solicitors	Holmes Mackillop 109 Douglas Street Blythswood Square Glasgow G2 4HB

ARW Transformers Limited

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ARW Transformers Limited

Chartered Accountant's Report to the Directors on the preparation of the Unaudited Statutory Financial Statements of ARW Transformers Limited for the Year Ended 31 October 2018

In order to assist you to fulfil your duties under the Companies Act 2006, we have prepared for your approval the filing financial statements of ARW Transformers Limited for the year ended 31 October 2018 which comprise the Balance Sheet, the Statement of Changes in Equity and the related notes from the company's accounting records and from information and explanations you have given to us.

As a member firm of the Institute of Chartered Accountants of Scotland, we are subject to its ethical and other professional requirements which are detailed at www.icas.com/technical-resources/framework-for-the-preparation-of-accounts-revised-january-2017.

This report is made solely to the Board of Directors of ARW Transformers Limited, as a body, in accordance with the terms of our engagement letter dated 11 January 2019. Our work has been undertaken solely to prepare for your approval the filing financial statements of ARW Transformers Limited and state those matters that we have agreed to state to the Board of Directors of ARW Transformers Limited, as a body, in this report in accordance with the requirements of the Institute of Chartered Accountants of Scotland as detailed at www.icas.com/technical-resources/framework-for-the-preparation-of-accounts-revised-january-2017. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than ARW Transformers Limited and its Board of Directors, as a body, for our work or for this report.

It is your duty to ensure that ARW Transformers Limited has kept adequate accounting records and to prepare statutory filing financial statements that give a true and fair view of the assets, liabilities, financial position and profit of ARW Transformers Limited. You consider that ARW Transformers Limited is exempt from the statutory audit requirement for the year.

We have not been instructed to carry out an audit or review of the filing financial statements of ARW Transformers Limited. For this reason, we have not verified the accuracy or completeness of the accounting records or information and explanations you have given to us and we do not, therefore, express any opinion on the statutory filing financial statements.

Scott-Moncrieff
Chartered Accountants
25 Bothwell Street
Glasgow
G2 6NL

30 April 2019

ARW Transformers Limited
Registered number:SC021727

Balance Sheet
As at 31 October 2018

	Note	2018 £	2017 £
Fixed assets			
Tangible assets	7	484,508	470,256
Current assets			
Stocks	8	514,129	566,296
Debtors: amounts falling due within one year	9	921,736	600,900
Cash at bank and in hand		505,327	335,407
		<u>1,941,192</u>	<u>1,502,603</u>
Creditors: amounts falling due within one year	10	(835,186)	(731,423)
Net current assets		<u>1,106,006</u>	<u>771,180</u>
Total assets less current liabilities		<u>1,590,514</u>	<u>1,241,436</u>
Creditors: amounts falling due after more than one year	11	(8,674)	(11,709)
Provisions for liabilities			
Deferred tax	13	(5,420)	(2,976)
Net assets		<u><u>1,576,420</u></u>	<u><u>1,226,751</u></u>
Capital and reserves			
Called up share capital		220	220
Share premium account	14	22,697	22,697
Revaluation reserve	14	336,233	341,540
Capital redemption reserve	14	5,243	5,243
Profit and loss account	14	1,212,027	857,051
		<u><u>1,576,420</u></u>	<u><u>1,226,751</u></u>

ARW Transformers Limited
Registered number: SC021727

Balance Sheet (continued)
As at 31 October 2018

The directors consider that the company is entitled to exemption from audit under section 477 of the Companies Act 2006 and members have not required the company to obtain an audit for the year in question in accordance with section 476 of the Companies Act 2006.

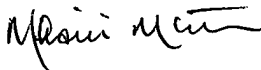
The directors acknowledge their responsibilities for complying with the requirements of the Companies Act 2006 with respect to accounting records and the preparation of financial statements.

The financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime and in accordance with the provisions of Section 1A 'Small Entities' of Financial Reporting Standard 102.

The financial statements have been delivered in accordance with the provisions applicable to companies subject to the small companies regime.

As permitted by Section 444 of the Companies Act 2006, the directors have not delivered to the Registrar a copy of the company's Statement of Comprehensive Income for the year ended 31 October 2018.

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 30 April 2019 by:



M McVitie
Director

The notes on pages 6 to 17 form part of these financial statements.

ARW Transformers Limited

**Statement of Changes in Equity
For the Year Ended 31 October 2018**

	Called up share capital	Share premium account	Capital redemption reserve	Revalua- tion reserve	Profit and loss account	Total equity
	£	£	£	£	£	£
At 1 November 2017	220	22,697	5,243	341,540	857,051	1,226,751
Comprehensive income for the year						
Profit for the year	-	-	-	-	369,548	369,548
Dividends: Equity capital	-	-	-	-	(19,879)	(19,879)
Transfers	-	-	-	(5,307)	5,307	-
At 31 October 2018	220	22,697	5,243	336,233	1,212,027	1,576,420

The notes on pages 6 to 17 form part of these financial statements.

ARW Transformers Limited

**Statement of Changes in Equity
For the Year Ended 31 October 2017**

	Called up share capital	Share premium account	Capital redemption reserve	Revalua- tion reserve	Profit and loss account	Total equity
	£	£	£	£	£	£
At 1 November 2016	220	22,697	5,243	346,847	634,236	1,009,243
Comprehensive income for the year						
Profit for the year	-	-	-	-	234,788	234,788
Dividends: Equity capital	-	-	-	-	(17,280)	(17,280)
Transfers	-	-	-	(5,307)	5,307	-
At 31 October 2017	220	22,697	5,243	341,540	857,051	1,226,751

The notes on pages 6 to 17 form part of these financial statements.

ARW Transformers Limited

Notes to the Financial Statements For the Year Ended 31 October 2018

1. General information

These financial statements are presented in Pounds Sterling (GBP), as that is the currency in which the company's transactions are denominated. They comprise the financial statements of the company drawn up for the year ended 31 October 2018.

The continuing activities of ARW Transformers Limited is that of the design and manufacture of transformers.

ARW Transformers Limited is a private company limited by shares and is incorporated in the United Kingdom and registered in Scotland. Details of the registered number and office can be found on the company information page of the financial statements. The company's registration number is SC021727.

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 applicable law and United Kingdom Accounting Standards including Section 1A 'Small Entities' of Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice applicable to Small Entities).

The preparation of financial statements in compliance with Section 1A 'Small Entities' of FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the company accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Going concern

The directors anticipate that a profit will be generated in the year to 31 October 2019 and for the foreseeable future. The company has a net asset position and adequate banking facilities in place and the directors are satisfied that there are sufficient resources in place to continue in operation for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the annual financial statements.

2.3 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 recognised:

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.

2. Accounting policies (continued)

2.4 Pensions

Defined contribution pension plan

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 in the Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the company in independently administered funds.

2.5 Operating leases: the company as lessee

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

2.6 Leased assets

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets. Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives. Assets acquired by hire purchase are depreciated over their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the company. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the Statement of Comprehensive Income so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

2.7 Interest income

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

2.8 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.

2. Accounting policies (continued)

2.9 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income, except that a 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 corporation tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the company operates and generates income.

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

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

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

2.10 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.

The company 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 company. 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.

Depreciation is provided on the following basis:

Freehold property	- 2% on cost
Plant and machinery	- 10%, 20% and 33% on cost
Motor vehicles	- 25% on cost

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.

2. Accounting policies (continued)

2.11 Revaluation of tangible fixed assets

Individual freehold and leasehold properties are carried at current year value at fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are undertaken with sufficient regularity to ensure the carrying amount does not differ materially from that which would be determined using fair value at the Balance Sheet date.

Fair values are determined from market based evidence normally undertaken by professionally qualified valuers.

Revaluation gains and losses are recognised in the Statement of Comprehensive Income unless losses exceed the previously recognised gains or reflect a clear consumption of economic benefits, in which case the excess losses are recognised in profit or loss.

2.12 Stocks

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

At each balance sheet 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.

2. Accounting policies (continued)

2.13 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 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 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 balance sheet 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.

2.14 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.

2.15 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. Accounting policies (continued)

2.16 Creditors

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

2.17 Share capital

Ordinary shares are classified as equity. Called up share capital represents the nominal value of shares that have been issued.

2.18 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.

2.19 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 Statement of Comprehensive Income except when deferred in other comprehensive income as qualifying cash flow hedges.

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

In preparing the financial statements, management is required to make estimates and assumptions which affect reported income, expenses, assets and liabilities. Use of available information and application of judgement are inherent in the formation of estimates, together with past experience and expectations of future events that are believed to be reasonable under the circumstances. Actual results in the future could differ from such estimates.

The directors are satisfied that accounting policies are appropriate and applied consistently. Key sources of accounting estimation have been applied to the depreciation rates which are deemed to be appropriate for the class of assets.

ARW Transformers Limited**Notes to the Financial Statements
For the Year Ended 31 October 2018****4. Employees**

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

	2018 No.	2017 No.
Production	34	32
Administration	3	6
Sales	5	3
	<u>42</u>	<u>41</u>

5. Directors' remuneration

	2018 £	2017 £
Directors' emoluments	212,712	120,181
Directors' pension costs	82,768	63,629
	<u>295,480</u>	<u>183,810</u>

During the year retirement benefits were accruing to 2 directors (2017 - 2) in respect of defined contribution pension schemes.

Key management personnel are deemed to be the directors of the company. During the year the company paid £24,733 (2017: £17,885) national insurance in respect of the directors.

6. Dividends

	2018 £	2017 £
Interim dividend paid at £9.04 (2017: £7.86) per share	<u>19,879</u>	<u>17,280</u>

ARW Transformers Limited

**Notes to the Financial Statements
For the Year Ended 31 October 2018**

7. Tangible fixed assets

	Freehold property £	Plant and machinery £	Motor vehicles £	Total £
Cost or valuation				
At 1 November 2017	420,000	639,245	64,982	1,124,227
Additions	-	27,924	19,875	47,799
Disposals	-	(3,699)	(13,435)	(17,134)
At 31 October 2018	420,000	663,470	71,422	1,154,892
Depreciation				
At 1 November 2017	8,400	596,918	48,653	653,971
Charge for the year	8,400	14,498	10,649	33,547
Disposals	-	(3,699)	(13,435)	(17,134)
At 31 October 2018	16,800	607,717	45,867	670,384
Net book value				
At 31 October 2018	403,200	55,753	25,555	484,508
At 31 October 2017	411,600	42,327	16,329	470,256

The net book value of assets held under finance leases or hire purchase contracts, included above, are as follows:

	2018 £	2017 £
Motor vehicles	25,555	16,329

Freehold land and buildings were revalued on the 31 October 2016 by Graham and Sibbald, Chartered Surveyors on the basis of the open market value for existing use.

If the land and buildings had not been included at valuation they would have been included under the historical cost convention as follows:

	2018 £	2017 £
Cost	154,671	154,671
Accumulated depreciation	(87,704)	(84,611)
Net book value	66,967	70,060

ARW Transformers Limited

Notes to the Financial Statements For the Year Ended 31 October 2018

8. Stocks

	2018 £	2017 £
Raw materials and consumables.	414,993	495,091
Work in progress (goods to be sold)	99,136	71,205
	<u>514,129</u>	<u>566,296</u>

9. Debtors

	2018 £	2017 £
Trade debtors	865,137	573,209
Other debtors	56,599	27,691
	<u>921,736</u>	<u>600,900</u>

10. Creditors: Amounts falling due within one year

	2018 £	2017 £
Bank overdrafts	315,670	306,266
Bank loans	5,894	23,154
Trade creditors	310,510	267,441
Corporation tax	86,034	55,851
Other taxation and social security	52,400	38,518
Obligations under finance lease and hire purchase contracts	10,881	5,570
Other creditors	-	5,339
Accruals and deferred income	53,797	29,284
	<u>835,186</u>	<u>731,423</u>

The bank have standard security over the land and buildings owned by the company as well as a bond and floating charge granted over the whole assets of the company. Security is held by various funders in respect of the assets purchased under hire purchase contracts. Secured creditors amounted to £332,445 (2017: £334,990).

ARW Transformers Limited

Notes to the Financial Statements For the Year Ended 31 October 2018

11. Creditors: Amounts falling due after more than one year

	2018 £	2017 £
Bank loans	-	5,875
Obligations under finance leases and hire purchase contracts	8,674	5,834
	<u>8,674</u>	<u>11,709</u>

The bank have standard security over the land and buildings owned by the company as well as a bond and floating charge granted over the whole assets of the company. Security is held by various funders in respect of the assets purchased under hire purchase contracts. Secured creditors amounted to £8,674 (2017: £11,709).

12. Loans

Analysis of the maturity of bank loans is given below:

	2018 £	2017 £
Within 1 year	5,894	23,154
Between 1 and 2 years	-	5,875
Between 2 and 5 years	-	-
	<u>5,894</u>	<u>29,029</u>

13. Deferred taxation

	2018 £
At beginning of year	(2,976)
Charged to profit or loss	(2,444)
At end of year	<u>(5,420)</u>

ARW Transformers Limited

Notes to the Financial Statements For the Year Ended 31 October 2018

13. Deferred taxation (continued)

The provision for deferred taxation is made up as follows:

	2018 £	2017 £
Accelerated capital allowances	(2,976)	(109)
Charge to profit and loss	(2,444)	(2,867)
	<u>(5,420)</u>	<u>(2,976)</u>

14. Reserves

Share premium account

The share premium account includes any amounts paid by shareholders above the nominal value of the shares purchased.

Revaluation reserve

The revaluation reserve includes the revaluation adjustments in relation to the freehold property.

Capital redemption reserve

The capital redemption reserve includes the nominal value of shares repurchased by the company.

Profit and loss account

The profit and loss account include all current and prior year retained profits or losses.

15. Commitments under operating leases

At 31 October 2018 the company had future minimum lease payments under non-cancellable operating leases as follows:

	2018 £	2017 £
Not later than 1 year	5,624	3,244
Later than 1 year and not later than 5 years	15,039	2,838
	<u>20,663</u>	<u>6,082</u>

16. Related party transactions

During the year directors received dividends amounting to £11,689 (2017: £9,767) for M. McVitie and £6,310 (2017: £5,090) for S Wootton.

ARW Transformers Limited

**Notes to the Financial Statements
For the Year Ended 31 October 2018**

17. Controlling party

M. McVitie, the director, is the controlling party.