

Celtic Process Systems Limited
Consolidated Financial Statements
31 October 2020

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Celtic Process Systems Limited

Consolidated Financial Statements

Year ended 31 October 2020

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Celtic Process Systems Limited

Officers and Professional Advisers

The board of directors

Mr WH Davies
Mr E Jones
Mr JL Owen

Company secretary

Mr WH Davies

Registered office

Unit B
West Street
Whitland
Carmarthenshire
SA34 0AE

Auditor

Evens & Co Ltd
Chartered Accountants & Statutory Auditor
Hamilton House
Hamilton Terrace
Milford Haven
Pembrokeshire
SA73 3JP

Celtic Process Systems Limited

Strategic Report

Year ended 31 October 2020

Principal activities

The principal activity of the group during the year under review was that of specialist providers of engineering and project management services to many sectors including Utilities, Water, Food and Dairy.

Review of business and future developments

The directors are satisfied with the financial performance of the business and remain excited about the growth opportunities that exist within the engineering sector.

The operating profit of the group has increased to £2,155,858 from £1,896,015 and the profit after taxation showed an increase to £1,742,761 from £1,472,903.

The directors consider the group to be well placed and are confident that the group will continue to win new contracts and generate profits in the future. Our long-standing quality ethos of continual improvement means that processes are constantly refined with a view to providing customers with the highest quality of products and services.

The directors believe that the group is in a good financial position and that the risks that have been identified are being well managed. The directors continue to review the state of the market and the activities of competitors. The directors are confident in the group's ability to maintain and build on this position, albeit with cautious growth expectations.

On 3rd November 2020 Celtic Process Systems Limited bought back and subsequently cancelled the 6 Redeemable Preference Shares.

Post year end on the 3rd November 2020 Whitland EOT Limited acquired 85% of the share capital of the Celtic Process Systems Limited.

Key performance indicators

The directors consider that the key performance indicators are those that communicate the financial performance and strength of the group as a whole, those being turnover, gross profit and operating profit. Performance across the last two financial periods is set out below;

	2020	2019
Group Gross Profit Margin	22	22
Group Operating Profit Margin	17	16

Principal risks and uncertainties

The group faces a number of risks and uncertainties due to trading conditions and new competitors. In view of this, the directors are looking carefully at both existing and potential new markets. The key business risks affecting the company are set out below:

New competitors

The barriers to entry are fairly low and new entrants who invest significant capital can make cost savings. To mitigate this risk the development of new products continues so that the company's products can be clearly distinguished from its competitors.

Technology obsolescence

The technology industry is fast moving and there are risks associated with investing too heavily in a product that then becomes obsolete. To mitigate this risk there is continuous monitoring of the trade and popular press to allow for identification of trends.

Celtic Process Systems Limited

Strategic Report *(continued)*

Year ended 31 October 2020

Covid-19 Virus

The company has assessed the possible impact of the COVID-19 virus on the business when considering the reporting of the principal risks and uncertainties. The company has also considered the risks to staff and have initiated such protective measures as are necessary. The company does not consider that any impairment is required to the assets and that the carrying value of its assets and liabilities are not adversely effected.

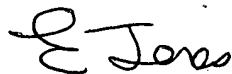
Environmental policy

As a responsible employer and member of the community, Celtic Process Systems Ltd and Whitland Engineering Ltd takes its impact on the environment seriously and constantly seeks ways to reduce any negative environmental impact by working responsibly and considerately. The companies work actively to improve the local environment. This is why they strived and achieved certification for BREEAM on their own new workshop development. One of their commitments is to reduce, re-use, recycle waste materials as far as they possibly can, so that they cut the amount of waste their business produces. By having their own manufacturing facilities, they are in a position to control their systems to strive to achieve this goal of minimising waste.

Financial instruments

The group has a normal level of exposure to price, credit, liquidity and cash flow risks arising from trading activities which are largely conducted in sterling, with the only foreign currency transactions being covered by suitable currency contracts to minimise exposure to exchange rate volatility. The group does not enter into any formally designated hedging arrangements.

This report was approved by the board of directors on 16 July 2021 and signed on behalf of the board by:



Mr E Jones
Director



Mr JL Owen
Director

Celtic Process Systems Limited

Directors' Report

Year ended 31 October 2020

The directors present their report and the Consolidated Financial Statements of the group for the year ended 31 October 2020.

Directors

The directors who served the company during the year were as follows:

Mr WH Davies
Mr E Jones
Mr JL Owen

Dividends

Particulars of recommended dividends are detailed in note 12 to the Consolidated Financial Statements.

Events after the end of the reporting period

Particulars of events after the reporting date are detailed in note 25 to the Consolidated Financial Statements.

Disclosure of information in the strategic report

In accordance with section 414C(11) of the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 the Directors have set out in the company's strategic report information required by schedule 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008.

Directors' responsibilities statement

The directors are responsible for preparing the Strategic Report, Directors' Report and the financial statements in accordance with the applicable law and regulations and in accordance with United Kingdom Generally Accepted Accounting Practice.

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 (Financial Reporting Standard 102). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that year.

In preparing these financial statements, the directors are required to:

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

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

Celtic Process Systems Limited

Directors' Report *(continued)*

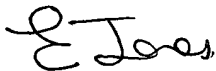
Year ended 31 October 2020

Auditor

Each of the persons who is a director at the date of approval of this report confirms that:

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

This report was approved by the board of directors on 16 July 2021 and signed on behalf of the board by:



Mr E Jones
Director



Mr JL Owen
Director

Celtic Process Systems Limited

Independent Auditor's Report to the Members of Celtic Process Systems Limited

Year ended 31 October 2020

Opinion

We have audited the Consolidated Financial Statements of Celtic Process Systems Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 October 2020 which comprise the consolidated statement of income and retained earnings, company statement of income and retained earnings, consolidated statement of financial position, company statement of financial position, 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 FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the Consolidated 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 October 2020 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- 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 consolidated 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 Consolidated 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 Consolidated Financial Statements is not appropriate; or
- the directors have not disclosed in the Consolidated 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 Consolidated Financial Statements are authorised for issue.

Celtic Process Systems Limited

Independent Auditor's Report to the Members of Celtic Process Systems Limited *(continued)*

Year ended 31 October 2020

Other information

The other information comprises the information included in the annual report, other than the Consolidated Financial Statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the Consolidated 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 Consolidated Financial Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Consolidated 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 Consolidated Financial Statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic report and the directors' report for the financial year for which the Consolidated Financial Statements are prepared is consistent with the Consolidated Financial Statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

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 Consolidated Financial Statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the Consolidated 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 Consolidated Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Consolidated 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.

Celtic Process Systems Limited

Independent Auditor's Report to the Members of Celtic Process Systems Limited (continued)

Year ended 31 October 2020

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the Consolidated 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 Consolidated Financial Statements.

As part of an audit in accordance with ISAs (UK), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Consolidated Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's or the parent company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Consolidated Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group or the parent company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Consolidated Financial Statements, including the disclosures, and whether the Consolidated Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Celtic Process Systems Limited

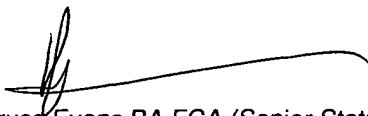
Independent Auditor's Report to the Members of Celtic Process Systems Limited *(continued)*

Year ended 31 October 2020

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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.



Bruce Evens BA FCA (Senior Statutory Auditor)

For and on behalf of
Evens & Co Ltd
Chartered Accountants & Statutory Auditor
Hamilton House
Hamilton Terrace
Milford Haven
Pembrokeshire
SA73 3JP

16 July 2021

Celtic Process Systems Limited

Consolidated Statement of Income and Retained Earnings

Year ended 31 October 2020

	Note	Year to 31 Oct 20 £	Period from 1 Jan 19 to 31 Oct 19 £
Turnover	4	12,614,383	11,560,645
Cost of sales		(9,795,814)	(9,031,926)
Gross profit		2,818,569	2,528,719
Administrative expenses		(685,069)	(646,617)
Other operating income	5	22,358	13,913
Operating profit	6	2,155,858	1,896,015
Other interest receivable and similar income	10	1,026	462
Profit before taxation		2,156,884	1,896,477
Tax on profit	11	(414,123)	(423,574)
Profit for the financial year and total comprehensive income		<u>1,742,761</u>	<u>1,472,903</u>
Dividends paid and payable	12	(262,600)	(265,600)
Retained earnings at the start of the year		3,931,860	2,724,557
Retained earnings at the end of the year		<u>5,412,021</u>	<u>3,931,860</u>

All the activities of the group are from continuing operations.

The notes on pages 15 to 25 form part of these Consolidated Financial Statements.

Celtic Process Systems Limited

Company Statement of Income and Retained Earnings

Year ended 31 October 2020

		Year to 31 Oct 20 £	Period from 1 Jan 19 to 31 Oct 19 £
Profit for the financial year and total comprehensive income	Note	1,741,417	1,797,385
Dividends paid and payable	12	(262,600)	(265,600)
Retained earnings at the start of the year		<u>3,991,595</u>	<u>2,459,810</u>
Retained earnings at the end of the year		<u>5,470,412</u>	<u>3,991,595</u>

The notes on pages 15 to 25 form part of these Consolidated Financial Statements.


Celtic Process Systems Limited

Consolidated Statement of Financial Position

31 October 2020

	Note	2020 £	2019 £
Fixed assets			
Tangible assets	13	806,988	778,687
Current assets			
Stocks	15	91,611	106,536
Debtors	16	2,590,557	1,518,969
Cash at bank and in hand		4,794,384	3,900,555
		<u>7,476,552</u>	<u>5,526,060</u>
Creditors: amounts falling due within one year	17	<u>(2,711,065)</u>	<u>(2,190,805)</u>
Net current assets		<u>4,765,487</u>	<u>3,335,255</u>
Total assets less current liabilities		<u>5,572,475</u>	<u>4,113,942</u>
Creditors: amounts falling due after more than one year	18	(92,943)	(125,360)
Provisions	19	<u>(22,496)</u>	<u>(11,707)</u>
Net assets		<u>5,457,036</u>	<u>3,976,875</u>
Capital and reserves			
Called up share capital	22	3,762	3,762
Share premium account	23	39,999	39,999
Capital redemption reserve	23	1,254	1,254
Profit and loss account	23	5,412,021	3,931,860
Shareholders funds		<u>5,457,036</u>	<u>3,976,875</u>

These Consolidated Financial Statements were approved by the board of directors and authorised for issue on 16 July 2021, and are signed on behalf of the board by:



Mr E Jones
Director



Mr JL Owen
Director

Company registration number: 4752525

The notes on pages 15 to 25 form part of these Consolidated Financial Statements.

Celtic Process Systems Limited
Company Statement of Financial Position
31 October 2020

	Note	2020 £	2019 £
Fixed assets			
Tangible assets	13	764,584	738,510
Investments	14	615,432	615,432
		<u>1,380,016</u>	<u>1,353,942</u>
Current assets			
Debtors	16	1,743,431	1,911,909
Cash at bank and in hand		2,585,748	919,209
		<u>4,329,179</u>	<u>2,831,118</u>
Creditors: amounts falling due within one year	17	<u>(175,716)</u>	<u>(140,152)</u>
Net current assets		4,153,463	2,690,966
Total assets less current liabilities		<u>5,533,479</u>	<u>4,044,908</u>
Creditors: amounts falling due after more than one year	18	(6)	(6)
Provisions	19	<u>(18,046)</u>	<u>(8,292)</u>
Net assets		<u>5,515,427</u>	<u>4,036,610</u>
Capital and reserves			
Called up share capital	22	3,762	3,762
Share premium account	23	39,999	39,999
Capital redemption reserve	23	1,254	1,254
Profit and loss account	23	5,470,412	3,991,595
Shareholders funds		<u>5,515,427</u>	<u>4,036,610</u>

The profit for the financial year of the parent company was £1,741,417 (2019: £1,797,385).

These Consolidated Financial Statements were approved by the board of directors and authorised for issue on 16 July 2021, and are signed on behalf of the board by:

Mr E Jones
Director

Mr JL Owen
Director

Company registration number: 4752525

The notes on pages 15 to 25 form part of these Consolidated Financial Statements.

Celtic Process Systems Limited

Consolidated Statement of Cash Flows

Year ended 31 October 2020

	2020 £	2019 £
Cash flows from operating activities		
Profit for the financial year	1,742,761	1,472,903
<i>Adjustments for:</i>		
Depreciation of tangible assets	61,247	39,681
Other interest receivable and similar income	(1,026)	(462)
Loss on disposal of tangible assets	—	11,396
Tax on profit	414,123	423,574
<i>Changes in:</i>		
Stocks	14,925	7,359
Trade and other debtors	(1,071,588)	613,853
Trade and other creditors	604,549	(17,372)
Cash generated from operations	1,764,991	2,550,932
Interest received	1,026	462
Tax paid	(520,040)	(324,549)
Net cash from operating activities	<u>1,245,977</u>	<u>2,226,845</u>
Cash flows from investing activities		
Purchase of tangible assets	(89,548)	(31,656)
Proceeds from sale of tangible assets	—	1,600
Net cash used in investing activities	<u>(89,548)</u>	<u>(30,056)</u>
Cash flows from financing activities		
Dividends paid	(262,600)	(265,600)
Net cash used in financing activities	<u>(262,600)</u>	<u>(265,600)</u>
Net increase in cash and cash equivalents	893,829	1,931,189
Cash and cash equivalents at beginning of year	3,900,555	1,969,366
Cash and cash equivalents at end of year	<u>4,794,384</u>	<u>3,900,555</u>

The notes on pages 15 to 25 form part of these Consolidated Financial Statements.

Celtic Process Systems Limited

Notes to the Consolidated Financial Statements

Year ended 31 October 2020

1. General information

The company is a private limited company limited by shares, registered in England and Wales. The address of the registered office is Unit B, West Street, Whitland, Carmarthenshire, SA34 0AE.

During the previous period the company changed its year end to 31 October 2019 from 31 December 2019 to be coterminous with its trading subsidiary, as a result the comparative amounts presented in the financial statements (including the related notes) are not entirely comparable.

2. Statement of compliance

These financial statements have been prepared in compliance with FRS 102, 'The Financial Reporting Standard applicable in the UK and the Republic of Ireland' and the Companies Act 2006.

3. Accounting policies

Basis of preparation

The Consolidated Financial Statements have been prepared on the historical cost basis, as modified by the revaluation of certain financial assets and liabilities and investment properties measured at fair value through profit or loss.

The Consolidated Financial Statements are prepared in sterling, which is the functional currency of the entity.

Trade and other debtor

Trade and other debtors are initially recognised at the transaction price and thereafter stated at amortised cost using the effective interest method, less impairment losses for bad and doubtful debts except where the effect of discounting would be immaterial. In such cases, the debtors are stated at cost less impairment losses for bad and doubtful debts.

Going concern

The directors have a reasonable expectation that the company has adequate resources to continue operational existence for the foreseeable future. For this reason, the directors continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Disclosure exemptions

The parent company satisfies the criteria of being a qualifying entity as defined in FRS 102. As such, advantage has been taken of the following reduced disclosures available under FRS 102:

- (a) Disclosures in respect of each class of share capital have not been presented.
- (b) No cash flow statement has been presented for the company.
- (c) Disclosures in respect of financial instruments have not been presented.
- (d) No disclosure has been given for the aggregate remuneration of key management personnel.

Consolidation

The financial statements consolidate the financial statements of Celtic Process Systems Limited and all of its subsidiary undertakings.

The parent company has applied the exemption contained in section 408 of the Companies Act 2006 and has not included its individual statement of comprehensive income.

Celtic Process Systems Limited

Notes to the Consolidated Financial Statements *(continued)*

Year ended 31 October 2020

3. Accounting policies *(continued)*

Trade and other creditors

Trade and other creditors are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported. These estimates and judgements are continually reviewed and are based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Significant judgements

The judgements (apart from those involving estimations) that management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in the financial statements are as follows:

Tangible fixed assets - Tangible fixed assets are depreciated over their useful lives taking account of their residual values, where appropriate. The actual lives and residual values of the assets are assessed annually and may vary depending on a number of factors. In reassessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

Impairment - Determination of whether there are indicators of impairment of the Company's fixed assets and investments. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the investment.

Key sources of estimation uncertainty

Accounting estimates and assumptions are made concerning the future and, by their nature, will rarely equal the related actual outcome. The key assumptions and other sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

- Depreciation and the estimation of useful economic life.

Revenue recognition

Turnover is measured at the fair value of the consideration received or receivable for goods supplied and services rendered, net of discounts and Value Added Tax.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership have transferred to the buyer (usually on despatch of the goods); the amount of revenue can be measured reliably; it is probable that the associated economic benefits will flow to the entity; and the costs incurred or to be incurred in respect of the transactions can be measured reliably.

Revenue from the rendering of services is measured by reference to the stage of completion of the service transaction at the end of the reporting period provided that the outcome can be reliably estimated. When the outcome cannot be reliably estimated, revenue is recognised only to the extent that it is probable the expenses recognised will be recovered.

Celtic Process Systems Limited

Notes to the Consolidated Financial Statements *(continued)*

Year ended 31 October 2020

3. Accounting policies *(continued)*

Taxation

The taxation expense represents the aggregate amount of current and deferred tax recognised in the reporting period. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, tax is recognised in other comprehensive income or directly in equity, respectively.

Current tax is recognised on taxable profit for the current and past periods. Current tax is measured at the amounts of tax expected to pay or recover using the tax rates and laws that have been enacted or substantively enacted at the reporting date.

Deferred tax is recognised in respect of all timing differences at the reporting date. Unrelieved tax losses and other deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

Tangible assets

Tangible assets are initially recorded at cost, and subsequently stated at cost less any accumulated depreciation and impairment losses. Any tangible assets carried at revalued amounts are recorded at the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Depreciation

Depreciation is calculated so as to write off the cost or valuation of an asset, less its residual value, over the useful economic life of that asset as follows:

Freehold property	-	2% straight line
Plant and machinery	-	10% straight line & 25% reducing balance
Fixtures and fittings	-	25% reducing balance
Motor vehicles	-	25% reducing balance
Equipment	-	25% reducing balance

Investments

Fixed asset investments are initially recorded at cost, and subsequently stated at cost less any accumulated impairment losses.

Impairment of fixed assets

A review for indicators of impairment is carried out at each reporting date, with the recoverable amount being estimated where such indicators exist. Where the carrying value exceeds the recoverable amount, the asset is impaired accordingly. Prior impairments are also reviewed for possible reversal at each reporting date.

Stocks

Stocks are measured at the lower of cost and estimated selling price less costs to complete and sell. Cost includes all costs of purchase, costs of conversion and other costs incurred in bringing the stock to its present location and condition.

Celtic Process Systems Limited

Notes to the Consolidated Financial Statements *(continued)*

Year ended 31 October 2020

3. Accounting policies *(continued)*

Provisions

Provisions are recognised when the entity has an obligation at the reporting date as a result of a past event, it is probable that the entity will be required to transfer economic benefits in settlement and the amount of the obligation can be estimated reliably. Provisions are recognised as a liability in the statement of financial position and the amount of the provision as an expense.

Provisions are initially measured at the best estimate of the amount required to settle the obligation at the reporting date and subsequently reviewed at each reporting date and adjusted to reflect the current best estimate of the amount that would be required to settle the obligation. Any adjustments to the amounts previously recognised are recognised in profit or loss unless the provision was originally recognised as part of the cost of an asset. When a provision is measured at the present value of the amount expected to be required to settle the obligation, the unwinding of the discount is recognised as a finance cost in profit or loss in the period it arises.

Financial instruments

A financial asset or a financial liability is recognised only when the entity becomes a party to the contractual provisions of the instrument.

Basic financial instruments are initially recognised at the transaction price, unless the arrangement constitutes a financing transaction, where it is recognised at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Debt instruments are subsequently measured at amortised cost.

Defined contribution plans

Contributions in respect of the group's defined contribution pension scheme are charged to the profit and loss account for the year in which they are payable to the scheme. The assets of the scheme are held separately from those of the group in an independently administered fund.

4. Turnover

Turnover arises from:

	Year to 31 Oct 20 £	Period from 1 Jan 19 to 31 Oct 19 £
Rendering of services	<u>12,614,383</u>	<u>11,560,645</u>

The whole of the turnover is attributable to the principal activity of the group wholly undertaken in the United Kingdom.

Celtic Process Systems Limited

Notes to the Consolidated Financial Statements *(continued)*

Year ended 31 October 2020

5. Other operating income

	Year to 31 Oct 20	Period from 1 Jan 19 to 31 Oct 19
	£	£
Grant income	15,684	13,913
Other operating income	6,674	—
	<u>22,358</u>	<u>13,913</u>

6. Operating profit

Operating profit or loss is stated after charging:

	Year to 31 Oct 20	Period from 1 Jan 19 to 31 Oct 19
	£	£
Depreciation of tangible assets	61,247	39,681
Loss on disposal of tangible assets	—	11,396
	<u>—</u>	<u>—</u>

7. Auditor's remuneration

	Year to 31 Oct 20	Period from 1 Jan 19 to 31 Oct 19
	£	£
Fees payable for the audit of the consolidated financial statements	<u>12,805</u>	<u>12,490</u>

8. Staff costs

The average number of persons employed by the group during the year, including the directors, amounted to:

	2020 No.	2019 No.
Production staff	42	43
Management staff	21	21
	<u>63</u>	<u>64</u>

The aggregate payroll costs incurred during the year, relating to the above, were:

	Year to 31 Oct 20	Period from 1 Jan 19 to 31 Oct 19
	£	£
Wages and salaries	2,177,514	1,764,226
Other pension costs	44,176	138,911
	<u>2,221,690</u>	<u>1,903,137</u>

Celtic Process Systems Limited

Notes to the Consolidated Financial Statements *(continued)*

Year ended 31 October 2020

9. Directors' remuneration

The directors' aggregate remuneration in respect of qualifying services was:

	Year to 31 Oct 20 £	Period from 1 Jan 19 to 31 Oct 19 £
Remuneration	76,876	71,250
Company contributions to defined contribution pension plans	—	98,340
	<u>76,876</u>	<u>169,590</u>

The number of directors who accrued benefits under company pension plans was as follows:

	2020 No.	2019 No.
Defined contribution plans	<u>3</u>	<u>3</u>

10. Other interest receivable and similar income

	Year to 31 Oct 20 £	Period from 1 Jan 19 to 31 Oct 19 £
Interest on cash and cash equivalents	<u>1,026</u>	<u>462</u>

11. Tax on profit

Major components of tax expense

	Year to 31 Oct 20 £	Period from 1 Jan 19 to 31 Oct 19 £
Current tax:		
UK current tax expense	403,288	426,418
Adjustments in respect of prior periods	46	—
Total current tax	<u>403,334</u>	<u>426,418</u>
Deferred tax:		
Origination and reversal of timing differences	10,789	(2,844)
Tax on profit	<u>414,123</u>	<u>423,574</u>

Celtic Process Systems Limited

Notes to the Consolidated Financial Statements (continued)

Year ended 31 October 2020

11. Tax on profit (continued)

Reconciliation of tax expense

The tax assessed on the profit on ordinary activities for the year is lower than (2019: lower than) the standard rate of corporation tax in the UK of 19% (2019: 19%).

	Year to 31 Oct 20 £	Period from 1 Jan 19 to 31 Oct 19 £
Profit on ordinary activities before taxation	2,156,884	1,896,477
Profit on ordinary activities by rate of tax	660,608	715,622
Adjustment to tax charge in respect of prior periods	46	—
Effect of expenses not deductible for tax purposes	—	3,393
Effect of capital allowances and depreciation	(5,919)	746
Effect of revenue exempt from tax	(251,401)	(293,343)
Profit of subsidiary taxed in different period	10,789	(2,844)
Tax on profit	414,123	423,574

12. Dividends

Dividends paid during the year (excluding those for which a liability existed at the end of the prior year):

	2020 £	2019 £
Dividends on equity shares	262,600	265,600

13. Tangible assets

Group	Freehold property £	Plant and machinery £	Fixtures and fittings £	Motor vehicles £	Equipment £	Total £
Cost						
At 1 Nov 2019	705,563	189,065	12,500	40,200	51,806	999,134
Additions	—	12,792	—	11,200	65,556	89,548
At 31 Oct 2020	705,563	201,857	12,500	51,400	117,362	1,088,682
Depreciation						
At 1 Nov 2019	25,871	136,915	12,387	12,076	33,198	220,447
Charge for the year	14,111	16,236	28	9,831	21,041	61,247
At 31 Oct 2020	39,982	153,151	12,415	21,907	54,239	281,694
Carrying amount						
At 31 Oct 2020	665,581	48,706	85	29,493	63,123	806,988
At 31 Oct 2019	679,692	52,150	113	28,124	18,608	778,687

Celtic Process Systems Limited

Notes to the Consolidated Financial Statements (continued)

Year ended 31 October 2020

13. Tangible assets (continued)

Company	Freehold property £	Plant and machinery £	Fixtures and fittings £	Motor vehicles £	Equipment £	Total £
Cost						
At 1 Nov 2019	705,563	101,103	12,500	40,200	21,432	880,798
Additions	—	443	—	11,200	61,542	73,185
At 31 Oct 2020	<u>705,563</u>	<u>101,546</u>	<u>12,500</u>	<u>51,400</u>	<u>82,974</u>	<u>953,983</u>
Depreciation						
At 1 Nov 2019	25,871	77,966	12,387	12,076	13,988	142,288
Charge for the year	14,111	5,895	28	9,831	17,246	47,111
At 31 Oct 2020	<u>39,982</u>	<u>83,861</u>	<u>12,415</u>	<u>21,907</u>	<u>31,234</u>	<u>189,399</u>
Carrying amount						
At 31 Oct 2020	<u>665,581</u>	<u>17,685</u>	<u>85</u>	<u>29,493</u>	<u>51,740</u>	<u>764,584</u>
At 31 Oct 2019	<u>679,692</u>	<u>23,137</u>	<u>113</u>	<u>28,124</u>	<u>7,444</u>	<u>738,510</u>

14. Investments

The group has no investments.

Company	Shares in group undertakings £
Cost	
At 1 November 2019 and 31 October 2020	<u>615,432</u>
Impairment	
At 1 November 2019 and 31 October 2020	<u>—</u>
Carrying amount	
At 1 November 2019 and 31 October 2020	<u>615,432</u>
At 31 October 2019	<u>615,432</u>

Subsidiaries, associates and other investments

Details of the investments in which the parent company has an interest of 20% or more are as follows:

	Registered office	Class of share	Percentage of shares held
Subsidiary undertakings			
Whitland Engineering Limited	Unit B West Street Whitland Carmarthenshire SA34 0AE	Ordinary	100

Celtic Process Systems Limited

Notes to the Consolidated Financial Statements *(continued)*

Year ended 31 October 2020

15. Stocks

	Group 2020 £	2019 £	Company 2020 £	2019 £
Raw materials and consumables	<u>91,611</u>	<u>106,536</u>	<u>—</u>	<u>—</u>

16. Debtors

	Group 2020 £	2019 £	Company 2020 £	2019 £
Trade debtors	2,566,955	1,498,410	—	1,800
Amounts owed by group undertakings	—	—	1,743,431	1,910,109
Other debtors	<u>23,602</u>	<u>20,559</u>	<u>—</u>	<u>—</u>
	<u>2,590,557</u>	<u>1,518,969</u>	<u>1,743,431</u>	<u>1,911,909</u>

Included within other debtors is an amount of £nil (2019 - £nil) falling due after more than one year.

17. Creditors: amounts falling due within one year

	Group 2020 £	2019 £	Company 2020 £	2019 £
Trade creditors	1,456,268	1,056,776	1,932	2,604
Corporation tax	221,029	337,735	94,672	61,899
Social security and other taxes	397,437	289,569	37,497	30,129
Other creditors	<u>636,331</u>	<u>506,725</u>	<u>41,615</u>	<u>45,520</u>
	<u>2,711,065</u>	<u>2,190,805</u>	<u>175,716</u>	<u>140,152</u>

18. Creditors: amounts falling due after more than one year

	Group 2020 £	2019 £	Company 2020 £	2019 £
Shares classed as financial liabilities	6	6	6	6
Other creditors	<u>92,937</u>	<u>125,354</u>	<u>—</u>	<u>—</u>
	<u>92,943</u>	<u>125,360</u>	<u>6</u>	<u>6</u>

Included within creditors: amounts falling due after more than one year is an amount of £82,276 (2019: £110,701) in respect of liabilities payable or repayable by instalments which fall due for payment after more than five years from the reporting date.

19. Provisions

Group	Deferred tax (note 20) £
At 1 November 2019	11,707
Additions	<u>10,789</u>
At 31 October 2020	<u>22,496</u>

Celtic Process Systems Limited

Notes to the Consolidated Financial Statements (continued)

Year ended 31 October 2020

19. Provisions (continued)

Company	Deferred tax (note 20) £
At 1 November 2019	8,292
Additions	9,754
At 31 October 2020	18,046

20. Deferred tax

The deferred tax included in the statement of financial position is as follows:

	Group		Company	
	2020	2019	2020	2019
	£	£	£	£
Included in provisions (note 19)	<u>22,496</u>	<u>11,707</u>	<u>18,046</u>	<u>8,292</u>

The deferred tax account consists of the tax effect of timing differences in respect of:

	Group		Company	
	2020	2019	2020	2019
	£	£	£	£
Accelerated capital allowances	<u>22,496</u>	<u>11,707</u>	<u>18,046</u>	<u>8,292</u>

21. Employee benefits

Defined contribution plans

The amount recognised in profit or loss as an expense in relation to defined contribution plans was £44,176 (2019: £40,571).

22. Called up share capital

Issued; called up and fully paid

	2020		2019	
	No.	£	No.	£
Amounts presented in equity:				
Ordinary shares of £1 each	3,750	3,750	3,750	3,750
Ordinary B shares of £1 each	6	6	6	6
Ordinary C shares of £1 each	1	1	1	1
Ordinary D shares of £1 each	1	1	1	1
Ordinary E shares of £1 each	1	1	1	1
Ordinary F shares of £1 each	1	1	1	1
Ordinary G shares of £1 each	1	1	1	1
Ordinary H shares of £1 each	1	1	1	1
	<u>3,762</u>	<u>3,762</u>	<u>3,762</u>	<u>3,762</u>
Amounts presented in liabilities:				
Reedemable Preference shares of £1 each	<u>6</u>	<u>6</u>	<u>6</u>	<u>6</u>

Celtic Process Systems Limited

Notes to the Consolidated Financial Statements *(continued)*

Year ended 31 October 2020

23. Reserves

Share premium account - This reserve records the amount above the nominal value received for shares sold, less transaction costs.

Capital redemption reserve - This reserve records the nominal value of shares repurchased by the company.

Profit and loss account - This reserve records retained earnings and accumulated losses.

24. Analysis of changes in net debt

	At 1 Nov 2019	Cash flows	At 31 Oct 2020
	£	£	£
Cash at bank and in hand	<u>3,900,555</u>	<u>893,829</u>	<u>4,794,384</u>

25. Events after the end of the reporting period

On 3rd November 2020 Celtic Process Systems Limited bought back and subsequently cancelled the 6 Redeemable Preference Shares.

Post year end on the 3rd November 2020 Whitland EOT Limited acquired 85% of the share capital of the Celtic Process Systems Limited.