

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

FOR

**CENTRAL ELECTRICAL ARMATURE WINDING CO.
LIMITED**

**CENTRAL ELECTRICAL ARMATURE WINDING CO.
LIMITED (REGISTERED NUMBER: 01303644)**

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FOR THE YEAR ENDED 31 DECEMBER 2019**

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**CENTRAL ELECTRICAL ARMATURE WINDING CO.
LIMITED**

**COMPANY INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2019**

DIRECTORS:	T J Sutton S W Sutton I P Riley
SECRETARY:	Corporate Officer Solutions Ltd
REGISTERED OFFICE:	Kitling Road Knowsley Industrial Park South Liverpool L34 9JA
REGISTERED NUMBER:	01303644 (England and Wales)
AUDITORS:	Additions Statutory Auditors 24 Queen Avenue Queen Insurance Buildings Dale Street Liverpool L2 4TZ

**CENTRAL ELECTRICAL ARMATURE WINDING CO.
LIMITED (REGISTERED NUMBER: 01303644)**

**BALANCE SHEET
31 DECEMBER 2019**

	Notes	2019 £	£	2018 £	£
FIXED ASSETS					
Tangible assets	5		427,258		413,333
CURRENT ASSETS					
Stocks		970,227		924,890	
Debtors	6	2,378,404		1,950,925	
Cash at bank and in hand		<u>106,342</u>		<u>521,059</u>	
		3,454,973		3,396,874	
CREDITORS					
Amounts falling due within one year	7	<u>1,097,736</u>		<u>1,075,789</u>	
NET CURRENT ASSETS			<u>2,357,237</u>		<u>2,321,085</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			2,784,495		2,734,418
CREDITORS					
Amounts falling due after more than one year	8		(75,891)		(64,269)
PROVISIONS FOR LIABILITIES	11		<u>(1,707,635)</u>		<u>(2,505,860)</u>
NET ASSETS			<u>1,000,969</u>		<u>164,289</u>
CAPITAL AND RESERVES					
Called up share capital	12		1,000		1,000
Retained earnings			<u>999,969</u>		<u>163,289</u>
SHAREHOLDERS' FUNDS			<u>1,000,969</u>		<u>164,289</u>

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

In accordance with Section 444 of the Companies Act 2006, the Income Statement has not been delivered.

The financial statements were approved by the Board of Directors and authorised for issue on 26 November 2020 and were signed on its behalf by:

I P Riley - Director

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

1. STATUTORY INFORMATION

Central Electrical Armature Winding Co. Limited is a private company, limited by shares, registered in England and Wales. The company's registered number and registered office address can be found on the Company Information page.

2. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" including the provisions of Section 1A "Small Entities" and the Companies Act 2006.

3. ACCOUNTING POLICIES

Basis of preparing the financial statements

The financial statements have been prepared under the historical cost convention.

Going concern

The company has been trading profitably for 43 years. It operates in a competitive market and continually reviews its costs to make and retain profits to enable it to invest in assets, staff and processes. The requirement to pay its legal tax liabilities is one such cost kept under review by the directors. In 2008 (and subsequent years) the company undertook tax planning, which on the advice of its advisors was legal and compliant with tax legislation applicable at the time of the planning. Full disclosure was made to HMRC of such planning. Following judgement in the Supreme Court which overturned previously held opinions, together with legislation (some of which retrospective) introduced by the government, the directors took the view that the company should enter into a settlement agreement with HMRC for the benefit of the company and its staff. The agreed settlement amounts to £1.7m in respect of all relevant taxes and charges. A provision for this settlement is shown under the heading 'Provision for Liabilities' on the balance sheet.

At 31 December 2019, the company had net current assets of £2,357,237 and net assets of £1,000,969. Trading since the year end has been strong, generating substantial positive cash flow and increases in net current assets and net assets. The company has seen no significant impact from COVID-19 with regards to its operational performance. The company made the required changes to its operations for health and safety reasons to mitigate any possible exposure to COVID-19 to our staff and those who work with Central. The business sector in which the company operates and the customers we deal with shows no significant indication of a downturn in work.

Given this, and on the basis of current financial projections and facilities available to the company the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future after allowing for the repayment of amounts falling due under the settlement with HMRC. Accordingly, they consider that it is appropriate to adopt the going concern basis in preparing the annual report and accounts.

Turnover

Turnover represents amounts chargeable, net of value added tax, in respect of the sale of goods and services to customers.

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life or, if held under a finance lease, over the lease term, whichever is the shorter.

Plant and machinery	- 10% on reducing balance
Motor vehicles	- 25% on reducing balance
Office equipment	- 20% on reducing balance

Stocks

Stock and work in progress are valued at the lower of cost and net realisable value, after due regard for obsolete and slow moving stocks. Net realisable value is based on selling price less anticipated costs to completion and selling costs. Cost includes all direct costs and an appropriate proportion of fixed and variable overheads.

3. **ACCOUNTING POLICIES - continued**

Taxation

Taxation for the year comprises current and deferred tax. Tax is recognised in the Income Statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Current or deferred taxation assets and liabilities are not discounted.

Current tax is recognised at the amount of tax payable using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

Timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements. Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the year end and that are expected to apply to the reversal of the timing difference.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Hire purchase and leasing commitments

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

The capital element of the future payments is treated as a liability. The interest element of these obligations is charged to the profit and loss account over the relevant period so as to produce a constant periodic rate of interest on the remaining balance of the liability.

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

The benefits of lease incentives are recognised in the income statement over the lease period.

Pension costs and other post-retirement benefits

The company operates a defined contribution pension scheme. Contributions payable to the company's pension scheme are charged to profit or loss in the period to which they relate.

Invoice financing

The company has adopted the separate presentation method of accounting, whereby gross factored debts are included in the balance sheet as an asset and the advances from the factor are included in creditors as a liability.

Short term debtors and creditors

Short term debtors and creditors with no stated interest rate are recorded at transaction price. Any losses arising from impairment are recognised in the profit and loss account.

4. **EMPLOYEES AND DIRECTORS**

The average number of employees during the year was 69 (2018 - 71).

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2019

5. TANGIBLE FIXED ASSETS

	Plant and machinery £	Motor vehicles £	Office equipment £	Totals £
COST				
At 1 January 2019	1,030,585	365,023	398,331	1,793,939
Additions	29,629	78,240	9,033	116,902
Disposals	(27,592)	(57,594)	-	(85,186)
At 31 December 2019	<u>1,032,622</u>	<u>385,669</u>	<u>407,364</u>	<u>1,825,655</u>
DEPRECIATION				
At 1 January 2019	787,818	231,931	360,857	1,380,606
Charge for year	23,943	41,582	9,029	74,554
Eliminated on disposal	(10,550)	(46,213)	-	(56,763)
At 31 December 2019	<u>801,211</u>	<u>227,300</u>	<u>369,886</u>	<u>1,398,397</u>
NET BOOK VALUE				
At 31 December 2019	<u>231,411</u>	<u>158,369</u>	<u>37,478</u>	<u>427,258</u>
At 31 December 2018	<u>242,767</u>	<u>133,092</u>	<u>37,474</u>	<u>413,333</u>

Included within the net book value of tangible fixed assets is £148,393 (2018 - £118,875) in respect of assets held under hire purchase contracts.

6. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2019 £	2018 £
Trade debtors	1,454,756	1,069,570
Amounts owed by group undertakings	307,894	307,894
Other debtors	615,754	573,461
	<u>2,378,404</u>	<u>1,950,925</u>

Amounts owed by group undertakings are unsecured, interest free, and have no fixed date for repayment.

7. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2019 £	2018 £
Hire purchase contracts (see note 9)	50,608	45,145
Trade creditors	623,016	648,062
Taxation and social security	259,299	236,086
Other creditors	164,813	146,496
	<u>1,097,736</u>	<u>1,075,789</u>

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

	2019 £	2018 £
Hire purchase contracts (see note 9)	<u>75,891</u>	<u>64,269</u>

9. LEASING AGREEMENTS

Minimum lease payments fall due as follows:

	Hire purchase contracts	
	2019	2018
	£	£
Net obligations repayable:		
Within one year	50,608	45,145
Between one and five years	<u>75,891</u>	<u>64,269</u>
	<u>126,499</u>	<u>109,414</u>
	Non-cancellable operating leases	
	2019	2018
	£	£
Within one year	76,076	128,810
Between one and five years	<u>170,430</u>	<u>246,506</u>
	<u>246,506</u>	<u>375,316</u>

10. SECURED DEBTS

The following secured debts are included within creditors:

	2019	2018
	£	£
Hire purchase contracts	<u>126,499</u>	<u>109,414</u>

11. PROVISIONS FOR LIABILITIES

	2019	2018
	£	£
Deferred tax		
Accelerated capital allowances	81,179	70,267
Other timing differences	(57,898)	-
Other provisions	<u>1,684,354</u>	<u>2,435,593</u>
	<u>1,707,635</u>	<u>2,505,860</u>

	Deferred tax	Other provisions
	£	£
Balance at 1 January 2019	70,267	2,435,593
Accelerated capital allowances	10,912	-
Other timing difference	(57,898)	-
Reduction in provision	-	(710,275)
Corporation tax adjustment	-	(40,964)
Balance at 31 December 2019	<u>23,281</u>	<u>1,684,354</u>

Other provisions relates to the settlement with HMRC detailed in Note 3 Accounting Policies under the heading 'Going concern'.

12. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:		Nominal value: £1	2019	2018
Number:	Class:		£	£
1,000	Ordinary		<u>1,000</u>	<u>1,000</u>

13. DISCLOSURE UNDER SECTION 444(5B) OF THE COMPANIES ACT 2006

The Report of the Auditors was unqualified.

Maxine Desse BA (Econ) FCA (Senior Statutory Auditor)
for and on behalf of Additions

14. CONTINGENT LIABILITIES

The company has given a guarantee to Lloyds Bank plc in respect of a bank loan provided to Orangemead Limited, the parent company. At 31 December 2019 the balance on the loan was £180,876 (2018 - £228,039).

As part of an agreement with HMRC to settle tax and related charges, as detailed in Note 3 Accounting Policies under the heading 'Going Concern', the directors concerned have agreed to make good to the company an amount of £1m, either by a cash payment to the company or by a debit to their loan accounts by 4 July 2021. This amount will be credited to the income statement. Where a lesser amount, or nothing at all, is received the settlement due to HMRC from the company will be increased. The maximum liability payable by the company in the event that nothing is received is estimated to be £700k. As it is the intention of the directors concerned to make good the full amount, the potential liability is unlikely to arise and therefore the directors consider it appropriate to disclose the potential liability but not to make a provision in these financial statements.

15. DIRECTORS' ADVANCES, CREDITS AND GUARANTEES

The following advances and credits to directors subsisted during the years ended 31 December 2019 and 31 December 2018:

	2019 £	2018 £
S W Sutton		
Balance outstanding at start of year	229,998	157,505
Amounts advanced	-	72,493
Amounts repaid	-	-
Amounts written off	-	-
Amounts waived	-	-
Balance outstanding at end of year	<u>229,998</u>	<u>229,998</u>
T J Sutton		
Balance outstanding at start of year	214,902	162,367
Amounts advanced	-	52,535
Amounts repaid	-	-
Amounts written off	-	-
Amounts waived	-	-
Balance outstanding at end of year	<u>214,902</u>	<u>214,902</u>

The loans to directors are interest free and repayable on demand.

16. RELATED PARTY DISCLOSURES

The company has taken advantage of exemption, under the terms of Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', not to disclose related party transactions with wholly owned subsidiaries within the group.

17. ULTIMATE CONTROLLING PARTY

The directors S W Sutton and T J Sutton control the company by virtue of their controlling interest in the share capital of Orangemead Limited, the ultimate parent company.

This document was delivered using electronic communications and authenticated in accordance with the registrar's rules relating to electronic form, authentication and manner of delivery under section 1072 of the Companies Act 2006.