Registered number: 02178434

ACORN ENGINEERING LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

Bishop Fleming

ACORN ENGINEERING LIMITED

COMPANY INFORMATION

DIRECTORS	G Errington S R Vincent K W Hogg J C A Coiley FCA
COMPANY SECRETARY	J C A Coiley FCA
REGISTERED NUMBER	02178434
REGISTERED OFFICE	Acorn House 20 Wellcroft Road Slough Berkshire SL1 4AQ
INDEPENDENT AUDITORS	Bishop Fleming LLP Chartered Accountants & Statutory Auditors 16 Queen Square Bristol BS1 4NT
BANKERS	HSBC 26 Broad Street Reading Berkshire RG1 2BU

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STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019

INTRODUCTION

The principal activities of the company in the year under review were those of planned preventative maintenance, emergency call out, repair and installation of building services for all types of commercial and residential buildings.

BUSINESS REVIEW

2019 saw the successful implementation of Concept Evolution, an enterprise wide CAFM system and a fundamental part of our strategic plans. Evolution is a market leading system which gives us a platform to better manage future growth.

We work with informed clients who appreciate the value of good service provision and the added value we bring to building performance. We always aim to pay our employees well with regard to true market rates and we provide good benefits, training and progression opportunities. I am delighted that so many of our employees are able to progress their careers within Acorn, demonstrated by several internal promotions.

We continue to receive good feedback and win repeat business. Our major accounts grow organically as a result of the service we provide and the value we offer. We remain true to our purpose of building trust in all that we do.

Pressure on margins and an ever increasing level of administration placed upon all service providers within our industry meant that we undertook a cost review toward the end of 2019. This resulted in significant annual cost savings being introduced without impacting our ability to deliver our services or impacting our ability to continue to develop our business.

Although we did not see significant revenue growth during 2019, many of the foundations were put in place for 2020 which to date has seen our highest ever value of sales success.

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks associated with the business are the standard commercial risks associated with the industry and economic climate in which we operate.

These are the risk of not generating sufficient sales at a sufficient price, the risk of costs rising to a level where they exceed revenues and the risk associated with failing to deliver the promised service to our customers.

The current and expected economic impact of the Covid-19 crisis presents a manageable revenue risk to the Company.

Our team of engineers have been operational throughout the lockdown period. Access was denied or restricted to relatively few buildings, with the requirement for compliance work continuing for our major customers. Indeed, some clients saw the period of reduced occupancy as an opportunity for works to be carried out. The overall value of quoted work was lower than normal and is likely to be affected by any forthcoming economic downturn as customers carefully prioritise their spending. Reactive work levels do correlate to a large extent with building occupancy and although they reduced during lockdown, they are heading back to normal levels as lockdown eases.

Any ongoing impact is expected to be restricted to the following three areas:

1. Suppressed discretionary spend due to tight cost control by our customers, for example by seeking to delay investment in plant upgrades.

2. Potential debt collection issues due to customers' cash issues following the end of furlough and the required repayment of short term government cash support.

3. Pressure on margins as seen in any economic downturn.

To mitigate the risks posed by Covid-19 the directors have taken a number of sensible cash mitigation and cost reduction actions. In addition, the company has taken advantage of government support schemes, including the Coronavirus Job Retention Scheme and VAT and PAYE deferrals.

Having prepared detailed forecasts the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future and for at least one year from the date of these financial statements.

FINANCIAL KEY PERFORMANCE INDICATORS

We regularly report and monitor our performance using a series of financial key performance indicators. We believe that tracking these indicators is essential to our success.

Cash

We monitor cash on a daily basis across our group. We have a very risk averse attitude to cash management. We remain a cash generating business and we work closely with our financing partners, IGF giving us the comfort to invest appropriately and comfortably for future growth. Cash £135k (2018: £47k).

Absolute level of sales

Our sales level and its breakdown into planned maintenance turnover and additional works is a key indicator. It is affected by changes to our portfolio of sites. We drive our sales growth primarily by listening to, and meeting the needs and expectations of our customers. Sales £11,529k (2018: £12,568k).

Operating profit

Our operating profit is another primary indicator. We strive to maintain our profit margins by continuing to offer competitive pricing to our customers while constantly improving our operational quality and efficiency. Operating profit £209k (2018: £168k).

OTHER KEY PERFORMANCE INDICATORS

We continue to focus on client retention and on the growth of our maintenance contract base.

This is achieved through continual improvement in the quality, value and breadth of service that we provide and by maintaining a thorough understanding of the needs of our customers.

This report was approved by the board on 19 October 2020 and signed on its behalf.

J C A Coiley FCA
Director

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019

The directors present their report and the financial statements for the year ended 31 December 2019.

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £173,978 (2018: £122,868).

DIRECTORS

The directors who served during the year were:

G Errington
S R Vincent
K W Hogg
J C A Coiley FCA

FUTURE DEVELOPMENTS

We continue to receive good feedback and repeat business. Our major accounts grow organically as a result of the service we provide and the value we offer. We remain true to our purpose of building trust in all that we do.

DISCLOSURE OF INFORMATION TO AUDITORS

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

POST BALANCE SHEET EVENTS

There have been no significant events affecting the Company since the year end.

AUDITORS

The auditors, Bishop Fleming LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

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

J C A Coiley FCA
Director

Date: 19 October 2020

Acorn House
20 Wellcroft Road
Slough
Berkshire
SL1 4AQ

DIRECTORS' RESPONSIBILITIES STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2019

The directors are responsible for preparing the Strategic report, the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 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 of the Company and of the profit or loss of the Company for that period.

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

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

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ACORN ENGINEERING LIMITED

OPINION

We have audited the financial statements of Acorn Engineering Limited (the 'Company') for the year ended 31 December 2019, which comprise the Statement of comprehensive income, the Statement of financial position, the Statement of changes in equity 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 Company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council'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 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.

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 Auditors' 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.

OPINION 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 financial statements are prepared is consistent with the 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 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, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

RESPONSIBILITIES OF DIRECTORS

As explained more fully in the Directors' responsibilities statement on page 5, 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 Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditors' 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 Auditors' report.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ACORN ENGINEERING LIMITED (CONTINUED)

USE OF OUR REPORT

This report is made solely to the Company's members 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 Auditors' 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 for our audit work, for this report, or for the opinions we have formed.

John Talbot FCA (Senior statutory auditor)
for and on behalf of
Bishop Fleming LLP
Chartered Accountants
Statutory Auditors
16 Queen Square
Bristol
BS1 4NT

20 October 2020

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 £	2018 £
Turnover	4	**11,529,073**	12,568,180
Cost of sales		**(8,928,329)**	(9,914,616)
GROSS PROFIT		**2,600,744**	2,653,564
Administrative expenses		**(2,391,347)**	(2,485,360)
OPERATING PROFIT	5	**209,397**	168,204
Interest receivable and similar income		**5,323**	-
Interest payable and expenses	10	**(14,237)**	(10,034)
PROFIT BEFORE TAX		**200,483**	158,170
Tax on profit	11	**(26,505)**	(35,302)
PROFIT FOR THE FINANCIAL YEAR		**173,978**	122,868

There were no recognised gains and losses for 2019 or 2018 other than those included in the statement of comprehensive income.

The notes on pages 12 to 27 form part of these financial statements.

ACORN ENGINEERING LIMITED
REGISTERED NUMBER:02178434

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

	Note		2019 £		2018 £
FIXED ASSETS					
Intangible assets	12		**475,422**		141,165
Tangible assets	13		**158,432**		144,392
			633,854		285,557
CURRENT ASSETS					
Debtors: amounts falling due within one year	14	**3,697,809**		4,325,869	
Cash at bank and in hand	15	**134,562**		46,780	
		3,832,371		4,372,649	
Creditors: amounts falling due within one year	16	**(2,875,552)**		(3,278,918)	
NET CURRENT ASSETS			**956,819**		1,093,731
TOTAL ASSETS LESS CURRENT LIABILITIES			**1,590,673**		1,379,288
PROVISIONS FOR LIABILITIES					
Deferred tax	18	**(68,370)**		(30,963)	
			(68,370)		(30,963)
NET ASSETS			**1,522,303**		1,348,325
CAPITAL AND RESERVES					
Called up share capital	19		**143**		143
Profit and loss account	20		**1,522,160**		1,348,182
			1,522,303		1,348,325

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

J C A Coiley FCA
Director

Date: 19 October 2020

The notes on pages 12 to 27 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 January 2019	143	1,348,182	1,348,325
COMPREHENSIVE INCOME FOR THE YEAR			
Profit for the year	-	173,978	173,978
AT 31 DECEMBER 2019	143	1,522,160	1,522,303

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

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 January 2018	143	1,225,314	1,225,457
COMPREHENSIVE INCOME FOR THE YEAR			
Profit for the year	-	122,868	122,868
AT 31 DECEMBER 2018	143	1,348,182	1,348,325

The notes on pages 12 to 27 form part of these financial statements.

1. GENERAL INFORMATION

Acorn Engineering Limited is a limited liability company incorporated in England and Wales. Its registered office is Acorn House, 20 Wellcroft Road, Slough, Berkshire, SL1 4AQ.

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

The following principal accounting policies have been applied:

2.2 FINANCIAL REPORTING STANDARD 102 - REDUCED DISCLOSURE EXEMPTIONS

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

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Acorn Engineering Group Limited as at 31 December 2019 and these financial statements may be obtained from the company's registered office.

2. ACCOUNTING POLICIES (continued)

2.3 GOING CONCERN

The current and expected economic impact of the Covid-19 crisis presents a manageable revenue risk to the Company. Our team of engineers have been operational throughout the lockdown period. In many cases our work is viewed as essential services, indeed the buildings we look after house critical infrastructure to allow companies to operate remotely, and several one off examples such as an NHS111 call centre and a Covid-19 vaccine research laboratory.

Access to relatively few buildings was denied or restricted, with the requirement for compliance work continuing for our major customers. Indeed, some clients saw the period of reduced occupancy as an opportunity for works to be carried out. The overall value of quoted works was lower than normal and these are also likely to be affected by any forthcoming economic downturn as customers carefully prioritise their spending. Reactive work levels do correlate to a large extent with building occupancy and although they reduced during lockdown, they are heading back to normal levels as lockdown eases.

Any ongoing impact is expected to be restricted to the following three areas:

1. Suppressed discretionary spend due to tight cost control by our customers, for example by seeking to delay investment in plant upgrades.

2. Debt collection issues due to customers' cash issues following the end of furlough and the required repayment of short term government cash support.

3. Pressure on margins as seen in any economic downturn.

To mitigate the risks posed by Covid-19 the directors have taken a number of sensible cash mitigation and cost reduction actions. In addition, the company has taken advantage of government support schemes, including the Coronavirus Job Retention Scheme and VAT and PAYE deferrals.

The company's forecasts and projections, taking account of all reasonably possible changes in trading performance, show that the company is able to operate within the level of its current financing.

These measures have enabled the directors to build a good level of cash availability to cover our ongoing working capital requirements and all repayments necessary to repay Covid-19 related government support schemes.

Having prepared detailed forecasts the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future and for at least one year from the date of these financial statements and believe that the preparation of these financial statements on a going concern basis is still appropriate.

2. ACCOUNTING POLICIES (continued)

2.4 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:

Rendering of services

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

2.5 OPERATING LEASES: THE COMPANY AS LESSEE

Rentals paid under operating leases are charged to profit or loss on a straight line basis over the lease term.

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

2.6 INTEREST INCOME

Interest income is recognised in profit or loss using the effective interest method.

2.7 FINANCE COSTS

Finance costs are charged to profit or loss 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.

2.8 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 profit or loss when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of financial position. The assets of the plan are held separately from the Company in independently administered funds.

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 profit or loss 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 operates and generates 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; 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 reporting date.

2.10 INTANGIBLE ASSETS

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

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

Amortisation is provided on the following basis:

Computer software - 5 years

2.11 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.

2. ACCOUNTING POLICIES (continued)

2.11 TANGIBLE FIXED ASSETS (CONTINUED)

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:

Improvement to property	-	10% straight-line
Short-term leasehold property	-	10% straight-line
Plant and machinery	-	15% straight-line
Motor vehicles	-	25% straight-line
Fixtures and fittings	-	10% straight-line
Office equipment	-	10%-33% straight-line

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 profit or loss.

2.12 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.

2.13 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.

2.14 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.

2.15 PROVISIONS FOR LIABILITIES

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to profit or loss in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Statement of financial position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of financial position.

2.16 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

2. ACCOUNTING POLICIES (continued)

2.16 FINANCIAL INSTRUMENTS (CONTINUED)

third parties, loans to related parties and investments in 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 in case of an out-right short-term loan that is not at market rate, the financial asset or liability is measured, initially at the present value of future cash flows discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost, unless it qualifies as a loan from a director in the case of a small company, or a public benefit entity concessionary loan.

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 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.

2.17 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 the annual general meeting.

3. JUDGMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

Estimates and judgments are continually evaluated and are based on historical evidence and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Revenue recognition

Certain quoted works can be long term in nature. An assessment is made of the stage of completion at a period end, requiring an element of judgment.

There are no other critical judgments or estimates adopted by management applicable to the company.

4. TURNOVER

The whole of the turnover is attributable to the principal activities of the company.

	2019	2018
	£	£
United Kingdom	**11,529,073**	12,568,180
	11,529,073	12,568,180

All turnover arose within the United Kingdom.

5. OPERATING PROFIT

The operating profit is stated after charging:

	2019	2018
	£	£
Other operating lease rentals	**65,428**	65,351

6. AUDITORS' REMUNERATION

	2019	2018
	£	£
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	**13,410**	9,880

The Company has taken advantage of the exemption not to disclose amounts paid for non audit services as these are disclosed in the group accounts of the parent Company.

7. EMPLOYEES

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

	2019 £	2018 £
Wages and salaries	4,327,137	4,579,367
Social security costs	457,021	494,843
Cost of defined contribution scheme	99,127	80,075
	4,883,285	5,154,285

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

	2019 No.	2018 No.
Directors	5	5
Administration	31	66
Technicians and contract managers	75	45
	111	116

8. DIRECTORS' REMUNERATION

	2019 £	2018 £
Directors' remuneration	499,979	527,710
Directors' pension	25,120	21,848
	525,099	549,558

During the year retirement benefits were accruing to 4 directors (2018: 4) in respect of defined contribution pension schemes.

The highest paid director had remuneration of £129,520 (2018: £144,503).

9. INTEREST RECEIVABLE

	2019 £	2018 £
Other interest receivable	5,323	-
	5,323	-

10. INTEREST PAYABLE AND SIMILAR EXPENSES

	2019 £	2018 £
Bank interest payable	**218**	1,225
Finance leases and hire purchase contracts	**14,019**	8,809
	14,237	10,034

11. TAXATION

	2019 £	2018 £
CORPORATION TAX		
Current tax on profits for the year	**(10,902)**	3,812
Adjustments in respect of previous periods	**-**	2,862
	(10,902)	6,674
TOTAL CURRENT TAX	**(10,902)**	6,674
DEFERRED TAX		
Origination and reversal of timing differences	**37,407**	28,628
TOTAL DEFERRED TAX	**37,407**	28,628
TAXATION ON PROFIT ON ORDINARY ACTIVITIES	**26,505**	35,302

11. TAXATION (CONTINUED)

FACTORS AFFECTING TAX CHARGE FOR THE YEAR

The tax assessed for the year is higher than (2018: higher than) the standard rate of corporation tax in the UK of 19% (2018: 19%). The differences are explained below:

	2019	2018
	£	£
Profit on ordinary activities before tax	**200,483**	158,170
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018: 19%)	**38,092**	26,889
EFFECTS OF:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	**217**	1,796
Adjustments to tax charge in respect of prior periods	**(7,767)**	2,862
Other timing differences leading to an increase (decrease) in taxation	**363**	245
Adjust deferred tax to average rate	**(4,400)**	(2,952)
Group relief	**-**	(919)
Deferred tax not recognised	**-**	7,381
TOTAL TAX CHARGE FOR THE YEAR	**26,505**	35,302

12. INTANGIBLE ASSETS

	Computer software
	£
COST	
At 1 January 2019	**141,165**
Additions	**393,875**
At 31 December 2019	**535,040**
AMORTISATION	
Charge for the year	**59,618**
At 31 December 2019	**59,618**
NET BOOK VALUE	
At 31 December 2019	**475,422**

In the year the company changed their accounting policy to classify Computer Software costs as intangible assets in the year, which in the prior year were classified as assets under construction within office equipment in tangible fixed assets. The total impact in the prior year is a £141,165 reclassification between these classes of asset. There was no change to profit or net assets as a result of this change of policy.

13. TANGIBLE FIXED ASSETS

	Improvement to property	Short-term leasehold property	Plant and machinery	Motor vehicles	Office equipment	Total
	£	£	£	£	£	£
COST OR VALUATION						
At 1 January 2019	163,803	11,595	21,627	19,160	291,165	507,350
Additions	-	-	-	-	78,656	78,656
Disposals	(118,658)	-	(16,468)	-	-	(135,126)
At 31 December 2019	45,145	11,595	5,159	19,160	369,821	450,880
DEPRECIATION						
At 1 January 2019	135,915	11,595	21,627	19,160	174,661	362,958
Charge for the year on owned assets	7,807	-	-	-	56,806	64,613
Disposals	(118,655)	-	(16,468)	-	-	(135,123)
At 31 December 2019	25,067	11,595	5,159	19,160	231,467	292,448
NET BOOK VALUE						
At 31 December 2019	20,078	-	-	-	138,354	158,432
At 31 December 2018	27,888	-	-	-	116,504	144,392

14. DEBTORS

	2019	2018
	£	£
Trade debtors	**1,852,624**	2,291,571
Amounts owed by group undertakings	**778,599**	933,374
Other debtors	**139,013**	107,373
Prepayments and accrued income	**679,776**	601,544
Prepayments: Deferred subcontractor costs	**247,797**	392,007
	3,697,809	4,325,869

15. CASH AND CASH EQUIVALENTS

	2019	2018
	£	£
Bank and cash balances	**134,562**	46,780
Proceeds of factored debts	**(462,327)**	(480,908)
	(327,765)	(434,128)

16. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2019	2018
	£	£
Trade creditors	**949,754**	1,299,975
Amounts owed to group undertakings	**31,874**	131,878
Corporation tax	**-**	29,216
Other taxation and social security	**573,371**	579,601
Proceeds of factored debts	**462,327**	480,908
Other creditors	**8,762**	17,235
Accruals and deferred income	**849,464**	740,105
	2,875,552	3,278,918

17. FINANCIAL INSTRUMENTS

	2019 £	2018 £
FINANCIAL ASSETS		
Financial assets measured at fair value through profit or loss	134,562	46,780
Financial assets that are debt instruments measured at amortised cost	3,150,615	3,790,936
	3,285,177	3,837,716
FINANCIAL LIABILITIES		
Financial liabilities measured at amortised cost	(1,214,333)	(1,622,986)

Financial assets measured at fair value through profit or loss comprise cash at bank and in hand.

Financial assets that are debt instruments measured at amortised cost comprise trade debtors, other debtors, amounts owed by group undertakings and accrued income.

Financial liabilities measured at amortised cost comprise trade creditors, other creditors, amounts owed to group undertakings, proceeds of factored debts and accruals.

18. DEFERRED TAXATION

	2019 £
At beginning of year	(30,963)
Charged to profit or loss	(37,407)
AT END OF YEAR	(68,370)

The provision for deferred taxation is made up as follows:

	2019 £	2018 £
Accelerated capital allowances	(94,463)	(32,441)
Tax losses carried forward	25,958	-
Short term timing differences	135	1,478
	(68,370)	(30,963)

19. SHARE CAPITAL

	2019	2018
	£	£
ALLOTTED, CALLED UP AND FULLY PAID		
100 (2018: 100) 100 Ordinary A shares of £1.00 each	**100**	100
43 (2018: 43) 43 Ordinary B shares of £1.00 each	**43**	43
	143	143

Both ordinary A and ordinary B shares rank pari passu.

20. RESERVES

Profit and loss account

The year end profit and loss account reserve includes all current and prior period retained profits and losses.

21. PENSION COMMITMENTS

The company operates a defined contribution pension scheme. The assets of the scheme are held seperately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £99,127 (2018: £80,075). Contributions totalling £83 (2018: £17,235) were payable to the fund at the reporting date and are included in creditors.

22. COMMITMENTS UNDER OPERATING LEASES

At 31 December 2019 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2019	2018
	£	£
Not later than 1 year	**287,998**	258,000
Later than 1 year and not later than 5 years	**457,254**	537,658
	745,252	795,658

23. RELATED PARTY TRANSACTIONS

As the company is a wholly owned subsidiary of Acorn Engineering Group Limited, the company is able to take advantage of the exemption under the terms of FRS 102 from disclosing related party transactions with wholly owned entities that are part of the group.

At the year end, the company was owed £100,000 (2018: £96,441) from G Errington, a shareholder, as a result of a directors' loan granted during the prior year of £100,000. Interest is being charged on the loan on normal commercial terms and it is repayable on demand.

24. CONTROLLING PARTY

The parent company is Acorn Engineering Group Limited, by virtue of their 100% shareholding in the company. Acorn Engineering Group Limited is a company registered in England and Wales.

The group of which the company is a member and for which consolidated financial statements have been prepared in Acorn Engineering Grpup Limited. These are available from its registered office at Acorn House, 20 Wellcroft Road, Slough, Berkshire, SL1 4AQ.

The company's ultimate controlling party is G Errington, by virtue of his shareholding in the parent company, Acorn Engineering Group Limited.