

**Carter Environmental Engineers  
Limited**

Report and Financial Statements

Year ended

31 December 2018

Company Number 00103720

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# **Carter Environmental Engineers Limited**

**Report and financial statements  
for the year ended 31 December 2018**

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## **Directors**

A G Bews  
B E Kerrison  
J C Scott

## **Registered office**

90 Lea Ford Road, Birmingham B33 9TX

## **Company number**

00103720

## **Auditors**

BDO LLP, Two Snowhill, Birmingham, B4 6GA

# **Carter Environmental Engineers Limited**

## **Directors' report for the year ended 31 December 2018**

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### **Introduction**

The directors present their report together with the audited financial statements for the year ended 31 December 2018.

The company's principal activities are the fabrication and sale of sheet metal work, and the manufacture and installation of cooling towers and dust control equipment.

During the year, the company has been restructuring operations, to focus on profitable and core elements of the business. This restructure has continued through 2019. This included the sale of the Water Treatment business in December 2018, the details of which are disclosed within discontinued operations on page 7 and in the note to the financial statements. The sale of the Air Services business took place in June 2019 resulting in a profit on disposal of £256,321.

The principal activities of the business going forwards will continue to comprise the fabrication and sale of sheet metal work, and the manufacture and installation of cooling towers.

### **Results and dividends**

The statement of comprehensive income is set out on page 7 and shows the loss for the year.

There were no dividends paid in the year under review (2017 - £Nil).

### **Directors**

The directors of the company during the year were:

A G Bews  
B E Kerrison  
J C Scott  
C P Sturge (resigned 7 February 2019)

### **Financial risk management objectives and policies**

The directors have reviewed the financial risk management objectives and policies of the company and, where there is significant exposure to financial risks, the group policy laid down by the parent company, Carter Thermal Industries Limited, is followed. It also does not enter into any speculative financial instruments. Appropriate trade terms are negotiated with suppliers and customers, and management reviews these terms and the trade relationships.

### **Currency risk**

The company operates in the UK and certain overseas markets. It does have some currency exposure, mainly with the Euro. Where the directors deem that a contract exposes the company to a material exchange risk then a foreign exchange contract is entered into to mitigate the exchange exposure. The balances receivable or payable denominated in foreign currencies at the year end were not significant.

### **Credit risk**

The company's principal financial assets are money held in bank accounts and trade debtors. There are the usual credit risks associated to these debtors. Historically the Company has not suffered significant bad debts and this continues to be closely monitored. The company has credit insurance to protect against a catastrophic debtor failure.

# Carter Environmental Engineers Limited

## Directors' report for the year ended 31 December 2018 (*continued*)

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### Interest rate risk

The company bank account forms part of the Carter Group's banking facilities. Cash balances are pooled with those of other companies within the Carter Group and interest is paid to or received by the Group on the net balance.

The Group charges notional interest on the company's bank balance.

### Price risk

The company is exposed to price risk in regards to metal prices. Contracts are negotiated taking into account expected prices and discussions with customers.

### Liquidity and funding

The directors have prepared forecasts and projections, which cover a period of more than 12 months from the date of approval of the financial statements, taking account of reasonable changes in trading performance. Any short-term working capital requirements are funded from the Carter Thermal Industries Limited group banking facility of which the company is a member. After making enquiries, the directors have a confident expectation that the company and the group have adequate resources to continue in operational existence for the foreseeable future, and the company has continued support from the group for the foreseeable future.

During the year, the company has been restructuring operations, to focus on profitable and core elements of the business. This restructure, which continued into the first half of 2019, included the sale of the Water Treatment business in December 2018 and the sale of the Air Services business in June 2019. In addition, all manufacturing operations have relocated to a new factory building shared with another group company and other employees have also moved across, resulting in a cost saving in property and office costs. The company will continue to trade in its new organisational structure and it is therefore appropriate to adopt the going concern assumption in the preparation of these financial statements.

### Post balance sheet events

On 4 June 2019, the sale of the Air Services division was concluded, generating £340,043 net of selling costs with a profit on disposal of £256,321. The turnover of this division was £963,000 (2017 - £1,141,000).

All manufacturing operations have relocated to a new factory building shared with another group company and other employees have also moved across, resulting in a cost saving in property and office costs. The move was substantially completed in early September 2019.

### Directors' responsibilities

The directors are responsible for preparing 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 company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;

# Carter Environmental Engineers Limited

## Directors' report for the year ended 31 December 2018 (continued)

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- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- 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.

### Disclosure of information to auditors

Each of the persons who is a director at the time when this Directors' Report is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the company's auditors are unaware and
- that 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.

### Qualifying third party indemnity provisions

The company maintains liability insurance for directors and officers as permitted by section 234 of the Companies Act 2006.

### Auditors

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

BDO LLP have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

### Small Company Exemptions

The company has taken advantage of small company exemptions conferred by the Companies Act 2006 not to prepare the following:

- strategic report
- certain financial instrument disclosures

In preparing this directors' report advantage has been taken of the small companies' exemption.

On behalf of the Board

  
J C Scott  
Director

Date: 21 January 2020

# Carter Environmental Engineers Limited

## Independent auditor's report

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To the members of Carter Environmental Engineers Limited

### Opinion

We have audited the financial statements of Carter Environmental Engineers Limited ("the company") for the year ended 31 December 2018, which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity and notes to the financial statements, 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 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the 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.

# Carter Environmental Engineers Limited

## Independent auditor's report (continued)

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### Other Information

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

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

We have nothing to report in this regard.

### Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' Report has 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 Director's 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; or
- the directors were not entitled to prepare the financial statements and the Directors' Report in accordance with the small companies' regime and to the exemption from the requirement to prepare a strategic report.

# Carter Environmental Engineers Limited

## Independent auditor's report (continued)

### Responsibilities of Directors

As explained more fully in the Directors' Report, 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.

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

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

A further description of our responsibilities for the audit of the financial statements is located at the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

### Use of our report

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



**Thomas Lawton** (senior statutory auditor)  
For and on behalf of BDO LLP, statutory auditor  
Birmingham  
United Kingdom

Date: 21 January 2020

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).



# Carter Environmental Engineers Limited

## Statement of comprehensive income for the year ended 31 December 2018

		Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
		2018	2018	2018	2017	2017	2017
		£	£	£	£	£	£
Turnover	3	9,481,755	778,544	10,260,299	4,901,747	652,544	5,554,291
Change in stocks of finished goods and work in progress		(715,225)	-	(715,225)	1,058,623	-	1,058,623
Raw materials and consumables		(5,410,515)	(296,545)	(5,707,060)	(4,089,850)	(394,720)	(4,484,570)
Staff costs	6	(2,011,783)	(324,655)	(2,336,438)	(1,539,351)	(140,992)	(1,680,343)
Depreciation, amortisation and impairments	4	(90,098)	-	(90,098)	(75,323)	-	(75,323)
Other operating charges	8	(1,339,709)	(170,123)	(1,509,832)	(812,518)	(74,420)	(886,938)
		<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
(Loss) /profit before interest, tax and exceptional items		(85,575)	(12,779)	(98,354)	(556,672)	42,412	(514,260)
Exceptional income	8	-	24,050	24,050	-	-	-
		<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Operating (loss)/profit		(85,575)	11,271	(74,304)	(556,672)	42,412	(514,260)
Interest payable		(112,164)	(9,210)	(121,374)	(49,615)	(6,605)	(56,220)
		<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Loss before taxation	4	(197,739)	2,061	(195,678)	(606,287)	35,807	(570,480)
Taxation	9	55,564	(392)	55,172	97,181	(7,161)	90,020
		<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Loss for the year		(142,175)	1,669	(140,506)	(509,106)	28,646	(480,460)
		<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

There is no other comprehensive income in the current or prior year.

The notes on pages 10 to 25 form part of these financial statements.

# Carter Environmental Engineers Limited

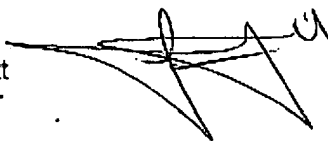
## Statement of financial position at 31 December 2018

Company number 00103720	Note	2018 £	2018 £	2017 £	2017 £
<b>Fixed assets</b>					
Intangible assets	10		-		-
Tangible assets	11		376,574		394,771
			<u>376,574</u>		<u>394,771</u>
<b>Current assets</b>					
Stocks	12	1,116,084		1,365,434	
Debtors	13	3,703,440		2,349,178	
Cash at bank and in hand		2,311		2,849	
			<u>4,821,835</u>	<u>3,717,461</u>	
<b>Creditors: amounts falling due within one year</b>	15	<b>(6,028,220)</b>		<b>(4,807,712)</b>	
			<u>(1,206,385)</u>	<u>(1,090,251)</u>	
<b>Net current liabilities</b>			<b>(1,206,385)</b>	<b>(1,090,251)</b>	
<b>Total assets less current liabilities</b>			<b>(829,811)</b>	<b>(695,480)</b>	
<b>Provisions for liabilities</b>					
Provisions for liabilities	17		(39,401)		(33,226)
			<u>(869,212)</u>	<u>(728,706)</u>	
<b>Net liabilities</b>			<b>(869,212)</b>	<b>(728,706)</b>	
<b>Capital and reserves</b>					
Called up share capital	19		925,000		925,000
Capital contribution reserve			900,000		900,000
Profit and loss account			(2,694,212)		(2,553,706)
			<u>(869,212)</u>	<u>(728,706)</u>	
<b>Shareholder's deficit</b>			<b>(869,212)</b>	<b>(728,706)</b>	

The financial statements were prepared under the small company exemptions conferred by the Companies Act 2006.

The financial statements were approved by the Board of Directors and authorised for issue on 21 January 2020.

J C Scott  
Director



The notes on pages 10 to 25 form part of these financial statements.

# Carter Environmental Engineers Limited

## Statement of changes in equity for the year ended 31 December 2018

	Share capital £	Capital contribution reserve £	Retained earnings £	Total Equity £
<b>At 1 January 2018</b>	925,000	900,000	(2,553,706)	(728,706)
<b>Comprehensive income for the year</b>				
Loss for the year	-	-	(140,506)	(140,506)
<b>Total comprehensive income for the year</b>	-	-	(140,506)	(140,506)
<b>At 31 December 2018</b>	925,000	900,000	(2,694,212)	(869,212)

## Statement of changes in equity for the year ended 31 December 2017

	Share capital £	Capital contribution reserve £	Retained earnings £	Total Equity £
<b>At 1 January 2017</b>	925,000	900,000	(2,073,246)	(248,246)
<b>Comprehensive income for the year</b>				
Loss for the year	-	-	(480,460)	(480,460)
<b>Total comprehensive income for the year</b>	-	-	(480,460)	(480,460)
<b>At 31 December 2017</b>	925,000	900,000	(2,553,706)	(728,706)

The notes on pages 10 to 25 form part of these financial statements.

# Carter Environmental Engineers Limited

Notes forming part of the financial statements  
for the year ended 31 December 2018

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## 1 Accounting policies

### 1.1 Basis of preparation of financial statements

Carter Environmental Engineers Limited is a private company limited by shares incorporated in England and Wales under the Companies Act. The address of the registered office is given on the contents page and the nature of the company's operations and its principal activities are set out in the directors' report.

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the United Kingdom 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 2).

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 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 11 Financial Instruments paragraphs 11.39 to 11.48A;
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.29;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Carter Thermal Industries Limited as at 31 December 2018 and these financial statements may be obtained from Companies House as per note 23.

### 1.2 Going concern

The directors have prepared a profit and cash flow forecast for the period to 31 December 2020 that shows that the company is able to operate and meets its liabilities as they fall due for payment without the need for any significant additional support by way of the overdraft (being £3.7m in January 2020) being made available to the company that is supported by Carter Thermal Industries Limited ("CTI") and other group companies and inter group borrowing provided by Carter Thermal Industries Limited ("CTI") or other group companies.

The directors have obtained a letter of irrevocable commitment from CTI that confirms that (1) CTI will not request repayment of any amounts due from the company in the at least the next 12 months period that would impact the company's ability to continue as a going concern and CTI will also ensure that this applies to all CTI group companies; (2) CTI will continue to provide support to the overdraft needed by the company for at least the next 12 months and CTI will also ensure that this applies to all CTI group companies and; (3) If additional funding support is required to be provided by CTI or other group companies CTI will provide all financial support required by the company to enable the company to perform its business objectives and allow it to operate and satisfy all third party obligations as they fall due for payment. In the letter of support CTI have confirmed that this financial support will continue for a period of not less than twelve months from the date of signing the financial statements of the company for the year ended 31 December 2018. CTI have further confirmed that this support will continue to be made available subsequent to the twelve month period. The directors are satisfied that CTI is able to provide any financial support that might be required by the company to operate as a going concern

On the basis of the above the directors are satisfied that the financial statements are prepared on the going concern basis.

# Carter Environmental Engineers Limited

Notes forming part of the financial statements  
for the year ended 31 December 2018 *(continued)*

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## 1 Accounting policies *(continued)*

### 1.3 Turnover

Turnover 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. Turnover 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 turnover is recognised:

#### **Sale of goods**

Turnover from the sale of goods is recognised when all of the following conditions are satisfied:

- the company has transferred the significant risks and rewards of ownership to the buyer;
- the company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of turnover can be measured reliably;
- it is probable that the company will receive the consideration due under the transaction;
- the costs incurred or to be incurred in respect of the transaction can be measured reliably

#### **Rendering of services**

Turnover 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 turnover 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

### 1.4 Intangible assets

Goodwill represents the excess of the cost of a business combination over the fair value of the group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in 'intangible assets'. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

# Carter Environmental Engineers Limited

Notes forming part of the financial statements  
for the year ended 31 December 2018 (continued)

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## 1.5 Tangible assets and depreciation

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

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

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method. The estimated useful lives range as follows:

Plant and machinery:		
- Plant and machinery	-	10 years straight line
- Motor vehicles	-	4 years straight line
- Fixtures and fittings	-	5 to 10 years straight line

The assets' residual values, useful lives and depreciation methods are reviewed and, if appropriate, adjusted prospectively, 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 within 'other operating income' in the statement of comprehensive income.

Assets that are subject to depreciation or amortisation are assessed at each reporting date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset, or cash-generating unit (CGU) to which the asset has been allocated, is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's or CGU's fair value less costs to sell, and its value in use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets that have been previously impaired are reviewed at each reporting date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other operating income' in the statement of comprehensive income.

Assets that are subject to depreciation or amortisation are assessed at each reporting date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset, or CGU to which the asset has been allocated, is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's or CGU's fair value less costs to sell, and its value in use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets that have been previously impaired are reviewed at each reporting date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

# Carter Environmental Engineers Limited

Notes forming part of the financial statements  
for the year ended 31 December 2018 *(continued)*

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## 1 Accounting policies *(continued)*

Assets that are subject to depreciation or amortisation are assessed at each reporting date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset, or CGU to which the asset has been allocated, is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's or CGU's fair value less costs to sell, and its value in use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets that have been previously impaired are reviewed at each reporting date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

### 1.6 Stocks

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

At each reporting date, inventories are assessed for impairment. If inventory is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in the statement of comprehensive income.

### 1.7 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.

### 1.8 Financial instruments

#### Financial assets

Financial assets comprise cash at bank and in hand, trade debtors, other debtors, and amounts owed by group undertakings; these are initially recorded at cost on the date they originate and are subsequently recorded at amortised cost under the effective interest method. The company considers evidence of impairment for all individual trade and other debtors and amounts owed by company undertakings, and any subsequent impairment is recognised in profit or loss.

Impairment of financial assets carried at amortised cost.

Impairment provisions are recognised when there is objective evidence that a financial asset or company of financial assets is impaired. Objective evidence includes significant financial difficulties of the counterparty, default or significant delays in payment.

Impairment provisions represent the difference between the net carrying amount of a financial asset and the present value of the expected future cash receipts from that asset.

#### Financial liabilities

Financial liabilities comprise trade creditors, other creditors, corporation tax payable, other tax and social security, accruals and amounts due to group undertakings; these are initially recorded at cost on the date they originate, and are subsequently carried at amortised cost under the effective interest method.

# Carter Environmental Engineers Limited

Notes forming part of the financial statements  
for the year ended 31 December 2018 (continued)

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## 1 Accounting policies (continued)

### 1.9 Foreign currency translation

The company's functional and presentational currency is the pound sterling.

#### Transactions and balances

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

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

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of Comprehensive Income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Statement of Comprehensive Income within 'other operating income'.

### 1.10 Pension

The company is a participating employer in the Carter Thermal Industries Limited Pension Scheme, Carter Executive Pension Plan and the Carter Money Purchase Plan. Details of the most recent actuarial valuation of the schemes are set out in the financial statements of the parent company, Carter Thermal Industries Limited.

Retirement benefits to employees are provided by defined benefit and contribution schemes which are funded by contributions from the company and employees. Payments are made either to pension trusts, which are financially separate from the company, or to insurance companies. Payments to the defined benefit scheme which are made in accordance with periodic calculations by professionally qualified actuaries are charged to the profit and loss account. As the company's share of the net assets and liabilities of the group scheme cannot be separately identified, the company accounts for its pension contributions to the group on a defined contribution basis.

Contributions to the defined contribution and defined benefit pension schemes are charged to profit or loss in the year in which they become payable.

Carter Money Purchase Plan ceased to accept contributions with effect from 1 July 2017 and all members' benefits were transferred to National Pensions Trust on 18 September 2017.

### 1.11 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 the Statement of Comprehensive Income 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.



# Carter Environmental Engineers Limited

Notes forming part of the financial statements  
for the year ended 31 December 2018 (continued)

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## 1 Accounting policies (continued)

### 1.12 Holiday pay accrual

A liability is recognised to the extent of any unused holiday pay entitlement which has accrued at the balance sheet date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the balance sheet date.

### 1.13 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income, except that a change 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 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 income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

## 2 Judgements in applying accounting policies and key sources of estimation uncertainty

In preparing these financial statements, the directors have had to make judgements, estimates and assumptions that effect the application of policies and reported amounts of assets, liabilities, income and expenses.

The estimates and associated assumptions are based on historic experiences and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities and are not readily apparent from other sources. Actual results may differ from these estimates. The judgements, estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are:

### Tangible fixed assets

Tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re assessing 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.

# Carter Environmental Engineers Limited

Notes forming part of the financial statements  
for the year ended 31 December 2018 (continued)

## 2 Judgements in applying accounting policies and key sources of estimation uncertainty (continued)

### Stock provisions

At each reporting date, stock is assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in the Statement of Comprehensive Income.

### Trade debtors

At each reporting date, trade debtors are assessed for recoverability. If there is any evidence of impairment, the carrying amount of the debtor is reduced to its recoverable amount. The impairment loss is recognised immediately in the Statement of Comprehensive Income.

### Warranty provision

The company provides for guarantee costs, provision for which the company is obliged to make on certain sales. The provision is management's best estimate of the claims that are likely to be made within the forthcoming guarantee period. The guarantee period is typically one year in duration.

### Discontinued activities

These reflect the trading of the business disposed of during the year and have been calculated as required by accounting standards.

## 3 Analysis of turnover

Analysis by class of geographical market:

	2018 £	2017 £
United Kingdom	10,104,820	5,220,510
Europe	98,884	177,620
Rest of the world	56,595	156,161
	<u>10,260,299</u>	<u>5,554,291</u>

Turnover is wholly attributable to the principal activity of the company.

Analysis by activity type:

	2018 £	2017 £
Sales of Goods	9,481,755	4,575,058
Sales of Services	778,544	979,233
	<u>10,260,299</u>	<u>5,554,291</u>

# Carter Environmental Engineers Limited

Notes forming part of the financial statements  
for the year ended 31 December 2018 *(continued)*

## 4 Operating loss

This is arrived at after charging/(crediting):

	2018 £	2017 £
Depreciation of tangible fixed assets	90,098	75,323
Profit on disposal of tangible fixed assets	(4,250)	(22,394)
Amortisation of positive goodwill	-	-
Impairment of goodwill	-	-
Defined contribution pension cost	26,959	46,841
	26,959	46,841

## 5 Auditor's remuneration

	2018 £	2017 £
Fees payable to the company's auditor for the auditing of the company's annual accounts	9,000	7,000
	9,000	7,000

## 6 Employees

	2018 £	2017 £
Staff costs (including directors) consist of:		
Wages and salaries	2,075,475	1,418,770
Social security costs	206,512	214,732
Other pension costs	54,451	46,841
	2,336,438	1,680,343

The average number of employees (including the directors) during the year was as follows:

	Number	Number
Production	26	22
Administration	34	29
	61	51

# Carter Environmental Engineers Limited

Notes forming part of the financial statements  
for the year ended 31 December 2018 (continued)

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7 Directors' remuneration	2018	2017
	£	£
Directors' emoluments	69,883	57,874
Company contribution to the group personal pension plan	5,644	7,802
	<u>                    </u>	<u>                    </u>

There was one director in the group's defined benefit pension scheme (2017 - one).

8 Exceptional items	2018	2017
	£	£
Sales proceeds (note 24)	29,300	-
Other exceptional costs	(5,250)	-
	<u>                    </u>	<u>                    </u>
Total exceptional items	<u>24,050</u>	<u>-</u>

The sales proceeds relate to the sale of the water treatment division in December 2018 as disclosed in note 24.

# Carter Environmental Engineers Limited

Notes forming part of the financial statements  
for the year ended 31 December 2018 (continued)

## 9 Taxation

	2018 £	2017 £
<i>UK Corporation tax</i>		
Current tax on profits for the year		
Group relief recoverable	(42,931)	(101,257)
Adjustments in respect of previous periods	(37,474)	14,625
Tax in respect of discontinued activities	392	7,161
	(80,013)	(79,471)
<i>Deferred tax</i>		
Origination and reversal of timing differences	5,277	(10,206)
Effect of changes in tax rate	-	-
Adjustments in respect of previous periods	19,564	(343)
	24,841	(10,549)
Movement in deferred tax provision	24,841	(10,549)
	(55,172)	(90,020)
Taxation on profit on ordinary activities	(55,172)	(90,020)

The tax assessed for the year is lower than (2017 - lower than) the standard rate of corporation tax in the UK applied to profit before tax. The differences are explained below:

	2018 £	2017 £
Loss on ordinary activities before tax	(195,678)	(570,480)
	(195,678)	(570,480)
Loss on ordinary activities multiplied by standard rate of Corporation Tax in the UK of 19.0% (2017 – 19.25%)	(37,179)	(109,817)
Effects of:		
Research and development expenditure credits	-	(10,875)
Expenses not deductible for tax purposes	-	15,041
Adjustments to tax charge in respect of prior periods	(17,910)	14,282
Effect of changes in tax rate	-	1,349
Other	(83)	-
	(55,172)	(90,020)
Total tax charge for the year	(55,172)	(90,020)

The standard rate of UK corporation tax will reduce to 17% effective 1 April 2020. Accordingly these rates have been used in the calculation of deferred tax balances as at 31 December 2018.

# Carter Environmental Engineers Limited

Notes forming part of the financial statements  
for the year ended 31 December 2018 *(continued)*

<b>10</b>	<b>Intangible fixed assets</b>	<b>Purchased goodwill £</b>
	<i>Cost</i>	
	1 January 2018 and 31 December 2018	160,000
	<i>Amortisation</i>	
	1 January 2018 and 31 December 2018	160,000
	<i>Net book value</i>	
	At 31 December 2018 and 31 December 2017	-
<b>11</b>	<b>Tangible fixed assets</b>	<b>Plant and Machinery £</b>
	<i>Cost</i>	
	1 January 2018	1,453,347
	Additions	71,900
	Disposals	(18,530)
		<hr/>
	At 31 December 2018	1,506,717
	<i>Depreciation</i>	
	1 January 2018	1,058,576
	Charge for the year	90,098
	Disposals	(18,531)
		<hr/>
	At 31 December 2018	1,130,143
	<i>Net book value</i>	
	At 31 December 2018	376,574
		<hr/>
	At 31 December 2017	394,771
		<hr/>

# Carter Environmental Engineers Limited

Notes forming part of the financial statements  
for the year ended 31 December 2018 (continued)

## 12 Stocks

	2018 £	2017 £
Raw materials and consumables	503,993	38,119
Work in progress	892,858	1,461,126
Less: payments on account	(280,767)	(133,811)
	<u>1,116,084</u>	<u>1,365,434</u>

Stock recognised in cost of sales during the year as an expense was £6,422,285 (2017 - £3,399,368).

In 2018 an impairment gain of £7,808 (2017 -£372 gain) was recognised in cost of sales against stock during the year due to slow-moving and obsolete stock.

There is no material difference between the replacement cost of stocks and the amounts stated above.

## 13 Debtors

	2018 £	2017 £
<i>Amounts receivable within one year</i>		
Trade debtors	2,489,511	1,615,234
Amounts owed by group undertakings	994,296	420,684
Group relief receivable	174,109	162,476
Other debtors	29,996	63,912
Corporation tax receivable	-	56,503
Prepayments and accrued income	10,000	-
Deferred tax (note 14)	5,528	30,369
	<u>3,703,440</u>	<u>2,349,178</u>

The impairment gain recognised for the period in respect of bad and doubtful debts was £8,370 (2017 - £51,558 loss).

# Carter Environmental Engineers Limited

Notes forming part of the financial statements  
for the year ended 31 December 2018 (continued)

## 14 Deferred taxation

	£
At 1 January 2018	30,369
Credited to profit and loss	(24,841)
	<hr/>
At 31 December 2018	5,528
	<hr/>

The amount of deferred tax provided for is as follows:

	2018 £	2017 £
Decelerated capital allowances	2,150	5,547
Sundry timing differences	3,378	24,822
	<hr/>	<hr/>
	5,528	30,369
	<hr/>	<hr/>

## 15 Creditors: amounts falling due within one year

	2018 £	2017 £
Bank overdrafts (secured)	4,555,194	2,935,099
Trade creditors	640,399	1,436,970
Other creditors	832,627	435,643
	<hr/>	<hr/>
	6,028,220	4,807,712
	<hr/>	<hr/>

The bank overdraft is secured by a first legal charge over the freehold and leasehold properties of the group.

## 16 Reserves

### Share capital

The nominal value of allotted and fully paid up ordinary share capital.

### Retained earnings

All other net gains and losses and transactions with owners (e.g. dividends) not recognised elsewhere.

### Capital contribution reserve

Contributions made by the holding company to be treated as capital.



# Carter Environmental Engineers Limited

Notes forming part of the financial statements  
for the year ended 31 December 2018 (continued)

## 17 Provision for liabilities

	Other provisions £
At 1 January 2018	33,226
Utilised in year	(32,226)
Charged directly to the statement of comprehensive income	39,401
	<hr/>
At 31 December 2018	<b>39,401</b>

The provision is for costs that the company is obliged to incur under guarantee on certain sales. The guarantee period is typically one year in duration.

## 18 Pensions

The company participates in two group defined benefit schemes, the Carter Thermal Industries Limited Pension Scheme and the Carter Executive Plan ("the Group Schemes"). The schemes are closed to new members and future accrual. As the schemes' assets and liabilities are managed on a unified basis, it is not possible to identify the company's share of assets and liabilities in the defined benefit scheme on a consistent and reasonable basis. Therefore, in accordance with FRS 102, the scheme is accounted for as if it was a defined contribution scheme.

Contributions are paid to the trustees of the Group Schemes based on the advice of an independent professionally qualified actuary who carries out a valuation of the Group Schemes every three years. The most recent formal valuation of the Carter Thermal Industries Limited Pension Scheme was carried out as at 31 December 2017 and Carter Executive Plan as at 31 December 2014.

Contributions made to the Carter Thermal Industries Limited Pension Scheme amounted to £Nil (2017 - £Nil) and contributions made to the Carter Executive Plan of £Nil (2017 - £Nil).

The valuation of the two schemes at 31 December 2018, calculated by the actuary on an FRS 102 projected unit basis, shows a deficit on the Carter Thermal Industries Limited Pension Scheme of £2,243,370 (2017 - £2,874,220) and a surplus on the Carter Executive Plan of £532,263 (2017 deficit - £590,805).

Directors expect future contributions to be consistent with those made in the current year.

These figures are illustrative only, for the purpose of these financial statements, and do not impact on the result or the balance sheet of the company. It should also be noted that these figures include a proportion of pension assets and liabilities relating to other group companies that also participate in the scheme. It has not been possible to identify the shares of the deficits that relate solely to Carter Environmental Engineers Limited.

## 19 Share capital

	2018 £	2017 £
<i>Allotted, called up and fully paid</i> 925,000 ordinary shares of £1 each	<b>925,000</b>	925,000
	<hr/>	<hr/>

# Carter Environmental Engineers Limited

Notes forming part of the financial statements  
for the year ended 31 December 2018 (*continued*)

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## 20 Contingent liabilities

The company has given an unlimited guarantee in respect of the group banking facility which amounted to £6,497,564 at 31 December 2018 (2017 - £4,430,109). Details of the banking facility are given in the accounts of Carter Thermal Industries Limited.

## 21 Commitments under operating leases

The company had no operating lease commitments in either the current or prior year.

## 22 Related party disclosures

The company is a wholly-owned subsidiary of Carter Thermal Industries Limited. It has taken advantage of the exemption conferred by section 33.1A of FRS 102 not to disclose transactions with Carter Thermal Industries Limited or other wholly owned subsidiaries within the group.

Key management personnel represent the directors of the company as they have responsibility for planning, directing and controlling the activities of the entity, directly or indirectly. During the period, the key management personnel remuneration included within directors' remuneration was £83,498 (2017 - £72,946) (see note 7).

## 23 Ultimate parent company and parent undertaking of larger group

The immediate parent company is Carter Thermal Industries Limited.

The ultimate parent company and controlling party is Longdon Estates Limited, a company registered in England and Wales. Copies of the group financial statements of Longdon Estates Limited may be obtained from The Registrar of Companies, Companies House, Crown Way, Maindy, Cardiff, CF14 3UZ.

The largest group in which the results of the company are consolidated is that headed by Longdon Estates Limited, incorporated in England & Wales. The smallest group in which they are consolidated is that headed by Carter Thermal Industries Limited, incorporated in England and Wales. The consolidated accounts are available to the public and may be obtained from the above address.

# Carter Environmental Engineers Limited

Notes forming part of the financial statements  
for the year ended 31 December 2018 (continued)

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## 24 Discontinued operation

On 31<sup>st</sup> December 2018 the company disposed of a trading division. This has been disclosed in the financial statements as discontinued as the results for the trading division are significant component of the trading operations. The profit on disposal of the division is £24,050 net of selling costs. No assets or liabilities were disposed of as part of the sale.

## 25 Post balance sheet event

During the year, the company has been restructuring operations, to focus on profitable and core elements of the business, to grow the business in the future. This restructure has continued into the first half of 2019. On 4 June 2019, the sale of the Air Services division was concluded, generating £340,043 net of selling costs with a profit on disposal of £256,321. The turnover of this division was £963,000 (2017 - £1,141,000).