COMPANIES HOUSE COPY

Carter Retail Equipment Limited

Report and Financial Statements

Year Ended

31 December 2018

Company Number 0618898

BDO

Carter Retail Equipment Limited

Report and financial statements
for the year ended 31 December 2018

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Directors

N A Gardner
B E Kerrison
D Russell
A T Santer
J C Scott
M P Hall
S Price
C S Hufflett

Secretary

A T Santer

Registered office

90 Leaford Road, Birmingham, B33 9TX

Company number

0618898

Auditors

BDO LLP, Two Snowhill, Birmingham, B4 6GA

Introduction

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

The company's principal activity is the manufacture and installation of retail display and commercial refrigeration equipment through operations in the United Kingdom and United States of America (USA).The company has elected to prepare consolidated group financial statements for the first time. The results for the current year therefore included the combined results of the group which comprises Carter Retail Equipment Limited and its wholly owned subsidiary Carter Group International Inc, a company incorporated in the United States of America.

Review of the business

The group made a pre-tax loss of £1,035,620 (2018 - £1,086,219) on a turnover of £ 33,433,959 (2018 - £41,118,913).

Future developments

The group anticipates an improvement to breakeven in 2019.

Key financial performance indicators

The Key financial performance indicators of the group are as follows:

	2018	**2017**
Turnover	**£33,433,959**	£41,118,913
Net loss before tax	**(£1,035,620)**	(£1,086,219)
Net loss before tax %	**(-3.10%)**	(-2.64%)

Principal risks and uncertainties

Loss of Customers

The group and company manages the risk of losing customers by the provision of high quality products and value added services, constantly improving the quality of the products that it manufactures and by maintaining strong relationships with key customers.

Pipeline

In the current economic climate, as referred to above, the pipeline for new contracts may be increased or decreased in line with the economic activity in the building and building services sectors and on the plans of the company's other industrial customers. The group and company attempts to adapt its capabilities and resources to meet significant changes arising from the work pipeline.

Credit Risk

Credit risk is managed making appropriate enquiries of credit reference agencies and by monitoring payments against contractual obligations.

Cash flow

The group and company monitors cash flow as part of its day-to-day control procedures. In addition the Directors regularly review the group and company's cash flow projections to ensure that appropriate facilities are available as necessary.

Principal risks and uncertainties *(continued)*

Regulatory Risk

The group and company is exposed to risks arising from non-compliance and relevant laws and regulations. In order to manage this risk, the Board monitors the introduction of new legislation closely, and communicates key developments to managers and staff through internal channels. All relevant legislation is monitored on a departmental level by the relevant management staff, with robust procedure in place to report and act on non-compliance issues.

Reputational Risk

The group and company is exposed to the risk that poor quality products and service may have a detrimental effect on the reputation of the company. In order to manage this risk, the company has robust quality control processes in place, including ISO 9001, to ensure that all products and services meet and exceed the required standards of quality and are fully fit for purpose. This process is monitored by the board of directors and corrective action taken where necessary.

Currency risk

The group and company operates in the UK and certain overseas markets. It does have some currency exposure with the Euro, US Dollar and Australian Dollar. 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 yearend were not significant. There were no such contracts in place at the yearend.

Liquidity and funding

The directors have prepared forecasts and projections, which cover a period of more than 12 months from the date of the approval of the financial statements, taking account of reasonable changes in trading performance. The parent company, Carter Thermal Industries Limited has undertaken to provide such financial support as is required for the period of at least one year from the signing of the financial statements. Group creditors are repayable on demand however the Group does not expect repayment of these balances for the period of at least one year from signing of the financial statements. The company share common directors who are satisfied that this company has the financial resources to provide the required support. Accordingly, the directors have adopted the going concern basis in preparing the annual report and accounts.

Health and Safety

The group and company continues to develop its health and safety processes for the benefit of its employees and customers. Obtaining the ROSPA Gold Achievement Award and the ISO 14001 Environmental Standard demonstrates awareness and compliance with Health & Safety and Environmental requirements. All of our policies are continually reviewed and updated to ensure that they remain appropriate for the protection of our business, the environment and the ethical bedrock on which we trade.

Approval

This strategic report was approved on behalf of the Board on 26 September 2019

J C Scott
Director

Date:

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

Results and dividends

The consolidated statement of comprehensive income is set out on page 9 and shows the loss after tax for the year of £902,587 (2017 - £941,862).

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

Directors

The directors of the group during the year and up to the date of the financial statements were:

N A Gardner
B E Kerrison
D Russell
A T Santer
J C Scott
M P Hall (appointed 1 January 2018)
S Price (appointed 21 February 2018)
C S Hufflett (appointed 20 June 2018)

Financial risk management policy

The directors have reviewed the financial risk management objectives and policies of the group and 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.

Financial Instruments

The group and company's principal financial instruments comprise cash and balances with group undertakings and various items such as trade debtors and trade creditors that arise directly from its operations.

The main risk associated with the group's financial assets and liabilities are set out below.

Price risk

The group does not deem the exposure to price changes in operating activity costs to be significant enough to consider any hedging activity to be necessary.

Credit risk

The group's credit risk is primarily attributed to its trade receivables, with exposure spread over a large number of counterparties and customers. The group aims to minimise such losses with a key focus on debtor collection in order to minimise bad debt exposure.

Liquidity risk

The group aims to mitigate liquidity risk by managing cash generated by its operations. Flexibility is maintained by retaining surplus cash in readily accessible bank accounts.

Employment of disabled persons

Full and fair consideration is given to applications for employment from disabled persons and to continuing the employment of those who become disabled while employed. The policy is to give equal opportunity for training, career development and promotion.

Employee involvement

Employee representatives are informed of the economic factors affecting the performance of the company by means of regular meetings with management.

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 that director is aware, there is no relevant audit information of which the group and 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 group and company's auditors are aware of that information.

Qualifying third party indemnity provisions

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

Directors' responsibilities

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 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 group and company and of the profit or loss of the group and 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business; and
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group and 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.

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.

On behalf of the Board

J C Scott
Director

Date: 26/9/2019

Opinion

We have audited the financial statements Carter Retail Equipment Limited ("the Parent Company") and its subsidiaries ("the Group") for the year ended 31 December 2018 which comprise the consolidated statement of comprehensive income, the consolidated and company statements of financial position, the consolidated and company statements of changes in equity and the 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 Group's and of the Parent Company's affairs as at 31 December 2018 and of the Group's 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 Group and the Parent 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 Group or the Parent Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the 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 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 strategic report and Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and 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 by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns; or
- *certain disclosures of Directors' remuneration specified by law are not made*; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determines 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 Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

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 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 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.

BDO LLP

Thomas Lawton *(Senior statutory auditor)*
for and on behalf of BDO LLP, Statutory auditor
Birmingham
United Kingdom

Date: 30 September 2019

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

Carter Retail Equipment Limited

Consolidated statement of comprehensive income
for the year ended 31 December 2018

	Note	2018 £	2017 £
Turnover	3	**33,433,959**	41,118,913
Increase in stocks of finished goods and work in progress		**(762,466)**	1,965,557
Raw materials and consumables		**(22,381,451)**	(31,433,619)
Other external charges		**(532,646)**	(938,357)
Staff costs	6	**(6,593,527)**	(7,537,852)
Depreciation, amortisation and impairments	4	**(328,109)**	(326,467)
Other operating charges		**(3,659,686)**	(3,907,297)
Exceptional items	4	**(107,475)**	-
Operating loss	4	**(931,401)**	(1,059,122)
Other interest payable and similar charges	8	**(104,219)**	(27,097)
Loss on ordinary activities before taxation		**(1,035,620)**	(1,086,219)
Taxation on loss on ordinary activities	9	**133,033**	144,357
Total comprehensive deficit for the year		**(902,587)**	(941,862)

There is no other comprehensive income/charge for the current year or prior year.

All amounts relate to continuing activities

The notes on pages 14 to 28 form part of these financial statements.

Carter Retail Equipment Limited

Consolidated statement of financial position at 31 December 2018

Company number 0618898	Note	2018 £	2018 £	2017 £	2017 £
Fixed assets					
Tangible assets	10		**926,937**		1,093,538
			926,937		1,093,538
Current assets					
Stocks	12	**4,871,271**		5,633,741	
Debtors	13	**8,658,997**		10,007,462	
Cash at bank and in hand		**666,552**		352,405	
		14,196,820		15,993,608	
Creditors: amounts falling due within one year	15	**(13,272,930)**		(14,333,732)	
Net current assets			**923,890**		1,659,876
Total assets less current liabilities			**1,850,827**		2,753,414
Capital and reserves					
Called up share capital	18		**1,000**		1,000
Profit and loss account	16		**1,849,827**		2,752,414
Shareholders' funds			**1,850,827**		2,753,414

The financial statements were approved by the Board of Directors and authorised for issue on
26 September 2019

J C Scott
Director

The notes on pages 14 to 28 form part of these financial statements.

Carter Retail Equipment Limited

Consolidated statement of changes in equity
for the year ended 31 December 2018

	Share capital £	Retained earnings £	Total equity £
At 1 January 2018	**1,000**	**2,752,414**	**2,753,414**
Comprehensive deficit for the year			
Loss for the year	**-**	**(902,587)**	**(902,587)**
Total comprehensive deficit for the year	**-**	**(902,587)**	**(902,587)**
At 31 December 2018	**1,000**	**1,849,827**	**1,850,827**

Consolidated statement of changes in equity
for the year ended 31 December 2017

	Share capital £	Retained earnings £	Total equity £
At 1 January 2017	1,000	3,694,276	3,695,276
Comprehensive deficit for the year			
Loss for the year	-	(941,862)	(941,862)
Total comprehensive deficit for the year	-	(941,862)	(941,862)
At 31 December 2017	1,000	2,752,414	2,753,414

The notes on pages 14 to 28 form part of these financial statements.

Carter Retail Equipment Limited

Company statement of financial position
at 31 December 2018

Company number 0618898	Note	2018 £	2018 £	2017 £	2017 £
Fixed assets					
Tangible assets	10		**926,937**		1,093,538
Investment	11		**26,209**		7
			953,146		1,093,545
Current assets					
Stocks	12	**4,871,271**		5,633,741	
Debtors	13	**8,455,401**		10,007,455	
Cash at bank and in hand		**504,400**		352,405	
		13,831,072		15,993,601	
Creditors: amounts falling due within one year	15	**(13,033,378)**		(14,333,732)	
Net current assets			**797,694**		1,659,869
Total assets less current liabilities			**1,750,840**		2,753,414
Capital and reserves					
Called up share capital	18		**1,000**		1,000
Profit and loss account	16		**1,749,840**		2,752,414
Shareholders' funds			**1,750,840**		2,753,414

Parent company loss after tax for the year was £1,002,574 (2017 - loss £941,862).

The financial statements were approved by the Board of Directors and authorised for issue on

26 September 2019

J C Scott
Director

The notes on pages 14 to 28 form part of these financial statements.

Carter Retail Equipment Limited

Company statement of changes in equity
for the year ended 31 December 2018

	Share capital £	Retained earnings £	Total equity £
At 1 January 2018	1,000	**2,752,414**	**2,753,414**
Comprehensive deficit for the year			
Loss for the year	-	**(1,002,574)**	**(1,002,574)**
Total comprehensive deficit for the year	-	**(1,002,574)**	**(1,002,574)**
At 31 December 2018	1,000	**1,749,840**	**1,750,840**

Company statement of changes in equity
for the year ended 31 December 2017

	Share capital £	Retained earnings £	Total equity £
At 1 January 2017	1,000	3,694,276	3,695,276
Comprehensive deficit for the year			
Loss for the year	-	(941,862)	(941,862)
Total comprehensive deficit for the year	-	(941,862)	(941,862)
At 31 December 2017	1,000	2,752,414	2,753,414

The notes on pages 14 to 28 form part of these financial statements.

1 Accounting policies

1.1 Basis of preparation of financial statements

Carter Retail Equipment Limited is a company 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 activity is set out in the strategic 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).

1.2 Going concern

The directors have prepared forecasts and projections, which cover a period of more than 12 months from the date of the approval of the financial statements, taking account of reasonable changes in trading performance. The parent company, Carter Thermal Industries Limited has undertaken to provide such financial support as is required for the period of at least one year from the signing of the financial statements. Group creditors are repayable on demand however the Group does not expect repayment of these balances for the period of at least one year from signing of the financial statements. The company share common directors who are satisfied (via the preparation of a detailed group cash flow forecast) that the parent company has the financial resources to provide the required support. Accordingly, the directors have adopted the going concern basis in preparing the annual report and accounts.

1.3 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 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.

The following principal accounting policies have been applied.

1.4 Consolidated financial statements

The company has elected to prepare consolidated group financial statements for the first time. The results for the current year therefore included the combined results of the group which comprises Carter Retail Equipment Limited and its wholly owned subsidiary Carter Group International Inc, a company incorporated in the United States of America. Carter Group International Inc became a wholly owned subsidiary on 31st December and the results are included from that date.

1 Accounting policies *(continued)*

1.5 Turnover

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the group 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 revenue is recognised:

Sale of goods

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

- the group has transferred the significant risks and rewards of ownership to the buyer;
- the group 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 group will receive the consideration due under the transaction;
- the costs incurred or to be incurred in respect of the transaction can be measured reliably

1.6 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 group 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 group. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

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

Plant and machinery	-	10 years straight line
Motor vehicles	-	4 years straight line
Fixtures and fittings	-	5 - 10 years 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 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 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 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 Accounting policies *(continued)*

1.7 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 profit or loss.

1.8 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.

1.9 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.

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, which is an approximation of the amount that the Group 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.

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.

1 Accounting policies *(continued)*

1.10 Foreign currency translation

The group's functional and presentational currency is GBP.

Transactions and balances

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

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

Exchange gains and losses are recognised in the statement of comprehensive income.

1.11 Leased assets: Lessee

Where assets are leased to a third party give rights approximating to ownership (finance leases), the assets are treated as if they have been sold outright. The amount removed from the fixed assets is the net book value on disposal of the asset. The profit on disposal, being the excess of the present value of the minimum lease payments over net book value is credited to profit or loss.

Lease payments are analysed between capital and interest components so that the interest element of the payment is credited to profit or loss over the term of the lease and represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts owed by the lessee.

Incentive payments to new tenants to occupy the group's investment properties are treated as a reduction in revenue and initially recorded as prepayments. The payments are charged to profit or loss over the term of the lease. Where such prepayments relate to investment properties, the properties are carried at open market value less the amount of the unamortised incentive.

However, the group has taken advantage of the optional exemption available on transition to FRS 102 which allows lease incentives on leases entered into before the date of transition to the standard (1 January 2014) to continue to be charged over the period to the first market rent review rather than the term of the lease.

All other leases are treated as operating leases. Their annual rentals are charged to profit or loss on a straight-line basis over the term of the lease.

1.12 Pension costs

The group 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 group and employees. Payments are made either to pension trusts which are financially separate from the group 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 group's share of the net assets and liabilities of the group scheme cannot be separately identified, the group accounts for its pension contributions to the group on a defined contribution basis.

1 Accounting policies *(continued)*

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.

1.13 Provisions for Liabilities

Provisions are made where an event has taken place that gives the group 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 group 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.

1.14 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.

1.15 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 group 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.

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.

3 Analysis of turnover

Analysis by class of geographical market:

	2018 £	2017 £
United Kingdom	**20,933,083**	31,590,106
Rest of Europe	**3,640,210**	936,899
USA	**7,607,311**	7,006,381
Australia	**1,251,775**	1,438,948
Rest of the world	**1,580**	146,579
	33,433,959	41,118,913

All sales are in respect of manufacture and installation of products.

4 Operating loss

This is arrived at after charging/(crediting):

	2018 £	2017 £
Depreciation of tangible fixed assets	**328,109**	326,466
Defined contribution pension costs	**195,250**	184,147
Hire of assets under operating leases	**91,017**	198,973
Exchange (gain)/loss	**(32,324)**	413,285
(Profit) on disposal of fixed assets	**(38,879)**	(17,201)

Exceptional costs

During the year the group incurred exceptional costs of £107,475 (2017 - £Nil) relating to restructuring operations to focus on profitable and core elements of the business, to grow the business in the future.

5 Auditor's remuneration

	2018 £	2017 £
Fees payable to the group's auditor for the auditing of the group's annual accounts	**15,947**	13,500
- other taxation services	**3,422**	15,123

6 Employees

Staff costs (including directors) consist of:	2018 £	2017 £
Wages and salaries	**5,807,009**	6,633,650
Social security costs	**591,268**	720,055
Other pension costs	**195,250**	184,147
	6,593,527	7,537,852

The average number of employees(including the directors) during the year was as follows:	Number	Number
Production	**92**	93
Administration	**84**	93
	176	186

7 Directors' remuneration

	2018 £	2017 £
Directors' emoluments	**279,528**	334,691
Group contribution to the group personal pension plan	**42,625**	49,627

There was 1 director in the group's defined benefit pension scheme (2017 - 2) and 3 directors in the group's defined contribution pension scheme (2017 - 4) during the year.

The total amount payable to the highest paid director in respect of emoluments was £ 101,252 (2017 - £96,501). The highest paid director is a member of a defined benefit scheme, under which the accrued pension at the year-end was £ 24,319 (2017 - £23,611).

8 Interest payable and similar charges

	2018 £	2017 £
Bank loans and overdrafts	**104,219**	27,097

9 Taxation

	2018	2017
	£	£
Corporation tax		
Current tax on profits for the year	-	(76,921)
Group relief payable/ (recoverable)	**(28,096)**	-
Adjustments in respect of previous periods	**63,514**	30,495
Overseas tax	**(46,667)**	46,667
Total current tax	**(11,249)**	241
Deferred tax		
Origination and reversal of timing differences	**(91,077)**	(115,669)
Adjustments in respect of previous periods	**(30,707)**	(28,929)
Movement in deferred tax provision	**(121,784)**	(144,598)
Taxation on profit on ordinary activities	**(133,033)**	(144,357)

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	**(1,035,620)**	(1,086,219)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.00% (2017 – 19.25%)	**(196,768)**	(209,097)
Effects of:		
Expenses not deductible for tax purposes	**(12,783)**	1,184
Adjustments in respect of prior periods	**32,807**	1,566
Change in tax rates	**10,715**	-
Deferred tax not recognised	**37,862**	-
Other	**41,801**	15,323
Overseas tax	**(46,667)**	46,667
Total tax charge for the year	**(133,033)**	(144,357)

Factors that may affect future tax charges

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.

10 Tangible fixed assets

Group and company	Plant and machinery £	Motor vehicles £	Fixtures and fittings £	Total £
Cost				
1 January 2018	7,134,046	1,069,285	1,007,786	9,211,117
Additions	43,500	-	118,019	161,519
Inter co transfer	-	-	-	-
Disposals	-	(241,799)	-	(241,799)
At 31 December 2018	**7,177,546**	**827,486**	**1,125,805**	**9,130,837**
Depreciation				
1 January 2018	6,634,158	761,714	721,707	8,117,579
Charge for the year	128,645	132,507	66,956	328,108
Disposals	-	(241,787)	-	(241,787)
Inter co transfer	-	-	-	-
At 31 December 2018	**6,762,803**	**652,434**	**788,663**	**8,203,900**
Net book value				
At 31 December 2018	**414,743**	**175,052**	**337,142**	**926,937**
At 31 December 2017	499,888	307,571	286,079	1,093,538

11 Fixed asset investments

Company	Subsidiary companies £
Cost	
1 January 2018	7
Additions	26,202
31 December 2018	**26,209**

12 Stocks

Group and company	2018 £	2017 £
Raw materials and consumables	**2,548,391**	3,010,073
Work in progress	**2,322,880**	2,623,668
	4,871,271	5,633,741

Stock recognised in cost of sales during the year as an expense was £22,482,976 (2017 - £25,454,168). In 2018 an impairment reversal of £12,590 (2017 loss – £124,444) 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

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Due within one year:				
Trade debtors	**7,056,608**	5,907,449	**6,837,433**	5,907,449
Amounts owed by group undertakings	**848,679**	3,366,377	**804,341**	3,366,377
Group relief receivable	**117,377**	301,722	**117,377**	301,722
Other debtors	**200,297**	185,902	**276,575**	185,895
Prepayments and accrued income	**68,705**	47,132	**52,344**	47,132
Deferred taxation (note 14)	**320,664**	198,880	**320,664**	198,880
Foreign tax	**46,667**	-	**46,667**	-
	8,658,997	10,007,462	**8,455,401**	10,007,455

The impairment loss recognised for the period in respect of bad and doubtful debts was £42,316 (2017 - £77,811).

14 Deferred taxation

Group and company	£
At 1 January 2018	198,880
Credited to statement of comprehensive income	121,784
At 31 December 2018	**320,664**

The amount of deferred tax asset is made up as follows:

	2018 £	2017 £
Decelerated capital allowances	**41,366**	53,288
Short term timing differences	**5,850**	5,756
Tax losses carried forward and other deductions	**273,448**	139,836
	320,664	198,880

15 Creditors: amounts falling due within one year

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Bank overdrafts	**2,488,987**	4,430,109	**2,488,987**	4,430,109
Trade loan	**758,577**	-	**758,577**	-
Payments received on account	**109,945**	788,547	**109,945**	788,547
Trade creditors	**6,683,850**	7,735,866	**6,460,192**	7,735,866
Amounts owed to group undertakings	**2,555,731**	126,343	**2,555,731**	126,343
Other taxation and social security	**15,895**	260,074	**-**	260,074
Other creditors	**404,653**	399,115	**404,654**	399,115
Accruals and deferred income	**255,292**	593,678	**255,292**	593,678
	13,272,930	14,333,732	**13,033,378**	14,333,732

The bank overdraft is secured by a first legal charge over the freehold and leasehold properties of the group (see note 19).

16 Reserves

Share capital

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

Profit & loss account

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

17 Pensions

Group and company

The group 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 group'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 on the basis of advice from 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 2017 and was updated on an approximate basis to 31 December 2018 by a qualified actuary.

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.

For the purpose of these accounts, these figures are illustrative only and do not impact on the result or the balance sheet of the group. It should also be noted that these figures include a proportion of pension assets and liabilities relating to other group companies which also participate in the scheme. It has not been possible to identify the share of the deficits which relates solely to Carter Retail Equipment Limited.

18 Share capital

	2018 £	2017 £
Allotted, called up and fully paid		
Ordinary shares of £1 each	**1,000**	1,000

19 Contingent liabilities

The group has given an unlimited guarantee in respect of the group banking facility which amounted to £7,853,875 at 31 December 2018 (2017 - £2,932,250). Details of the banking facility are given in the accounts of Carter Thermal Industries Limited.

20 Commitments under operating leases

The group had minimum lease payments under non-cancellable operating leases as set out below:

Group and company	**Land and buildings 2018 £**	**Other 2018 £**	**Land and buildings 2017**	**Other 2017 £**
Within one year	-	44,082	85,241	49,002
In two to five years	-	25,111	-	68,836
Over 5 years	-	-	-	-
	-	**69,193**	**85,241**	**117,838**

During the year £ 91,017 was recognised as an expense in the income statement in respect of operating leases (2017 - £198,973).

21 Capital commitments

Group and company	**2018 £**	**2017 £**
Contracted but not provided for	**17,020**	20,200

The group is a wholly owned subsidiary of Carter Thermal Industries Limited and 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.

22 Related party disclosures

Key management personnel represent the directors of the group 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 £353,473 (2017 - £420,522).

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 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.