

Company Registration No. 00173768 (England and Wales)

GILBERT GILKES & GORDON LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30 SEPTEMBER 2020

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GILBERT GILKES & GORDON LIMITED

COMPANY INFORMATION

Directors C W N Crewdson OBE
V L Crewdson
A W Poole
KL Rowland

Company number 00173768

Registered office Canal Head North
Kendal
Cumbria
LA9 7BZ

Auditor RSM UK Audit LLP
Chartered Accountants
Bluebell House
Brian Johnson Way
Preston
Lancashire
PR2 5PE

GILBERT GILKES & GORDON LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 30 SEPTEMBER 2020

The Directors present the strategic report for the year ended 30 September 2020.

Our purpose

Our values-based approach has been shaped from a 160-year heritage as a family-owned business. We believe in developing ethical business relationships with a positive environmental focus that bring about long-term sustainable success. Our people are committed to ensuring that Gilkes' products make a meaningful difference and provide a platform for the transition to a low carbon economy.

In a year that has brought challenges on a global scale, our dedicated personnel have demonstrated incredible resilience, flexibility and commitment, not only to maintaining full operational services but equally to delivering some major projects in pursuit of our strategic initiatives.

Highlights of 2019-20

Oct 19 Implementation of new ERP suite

The start of the new financial year marked the 'go-live' date for a business wide implementation of the IFS ERP suite. This replaced out-dated and disparate systems and unified the business with a single integrated software solution to help drive process efficiencies.

Mar 20 Investment in next generation machining capability

With an overall project investment of £1.3m, the installation of highly complex 5-axis machining capability will significantly increase productivity levels and enable Gilkes to bring the production of some traditionally outsourced hydro components in house, reducing both lead-times and costs. The project also moved Gilkes into new areas of expertise including 3D scanning, laser measurement, tool optimisation and real-time sensing.

Apr 20 Supporting the COVID-19 fight

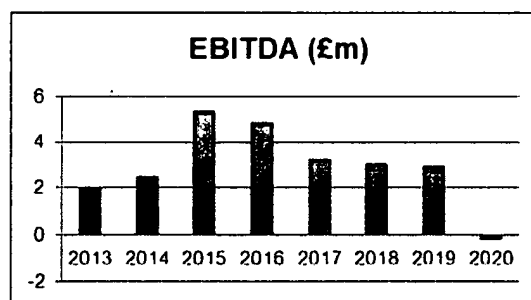
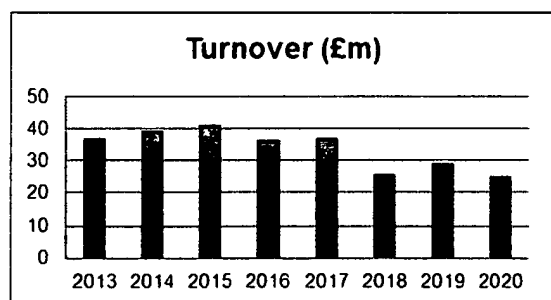
With our manufacturing facilities remaining operational throughout the pandemic, Gilkes was proud to supply pumps for the Cummins QSK50 engines used on gensets deployed to the NHS Nightingale hospitals to provide 24/7 power.

Sep 20 Upgrade to fluid flow analysis capability

The use of fluid flow analysis software is key to delivering our innovation strategy. Investment in a new high-performance computing cluster for running complex computational fluid dynamics simulations vastly increases our ability to model more complex scenarios and new designs.

Performance review

Group financial performance in 2020 fell short of expectations, with revenue decreasing by 14% from £29m (2019) to £25.1m (2020).



GILBERT GILKES & GORDON LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2020

The decline in turnover has been seen uniformly across all sectors, apart from the power generation application for engine cooling pumps where volumes have decreased by almost 30% year on year. This market fluctuates heavily with oil prices which slumped early in 2020 following the drastic decline in demand following lockdowns and travel restrictions due to the pandemic. This in turn caused a slow-down in demand for pumps from the North American fracking market.

Travel restrictions and customer postponements of scheduled work have resulted in deferral of £0.7m of hydropower revenue to 2020-21 and hydropower order intake during the year has suffered as a result of the prevailing economic uncertainty. Market conditions are expected to remain challenging for the next 12-18 months with investment in many projects being deferred.

Excluding the impact of currency fluctuations, grants and profit/loss on disposal of assets, the Group recorded an operating loss of £0.8m (2019: £2.3m profit), equating to -3.1% of turnover (2019: 8%). The loss is a direct result of revenue shortfall, with administrative expenses remaining consistent year on year. Other income includes a government grant of £0.2m drawn under the Coronavirus Job Retention Scheme in respect of furloughed workers.

During the year the Group generated £0.8m of cash from operating activities largely attributable to working capital movements associated with hydropower contracts completing around the year end. The Group invested £1.5m in fixed assets including 5-axis machining equipment which will significantly increase manufacturing capabilities in terms of both capacity and product range. This was partially funded by a £0.8m bank loan drawn in September 2020.

The Company made a dividend payment of £0.75m to Gilbert Gilkes & Gordon Holdings Ltd in December 2020 and recorded a retained loss of £0.6m for the year. Consequently, Group net assets have decreased from £16.6m (2019) to £15.1m (2020).

At an operational level, the Board uses a range of quantitative financial and non-financial performance indicators reported on a monthly basis to monitor the Group's performance. The measures encompass the four key areas of our strategy to drive performance improvements against our financial, customer service, business process and people orientated business objectives. The financial measures include profitability in terms of gross margin and return on sales, revenue growth (orders booked versus invoiced sales) and use of capital (inventory turns and return on capital employed). Non-financial metrics measure our product quality, delivery performance, employee retention rates and skills acquisition.

Current trading & COVID-19

The impact of the global pandemic on the hydropower sector has continued to be felt in 2020-21 with travel restrictions remaining in force and sales opportunities being scarce. Further losses are highly likely, and a restructure has been undertaken to reduce costs and ensure the Group returns to profitability in 2021-22.

Principal risks & uncertainties

The Board has overall responsibility for risk management, which is key to ensuring good governance, achieving Group strategy and ensuring the long-term viability of the business. The Senior Management Team has responsibility for maintaining the risk register and meets quarterly to review. Emerging risks are captured by the Integrated Business Planning process, evaluated and reported at the monthly Management Business Review. The Board is satisfied that, through the processes set out above, it can effectively identify, assess and manage risk.

In evaluating current risks, a risk priority is calculated to measure the potential impact that the risk would have if it materialised. The risk priority considers both potential impact and likelihood on a low, medium or high scale corresponding to scores of 1, 2 and 4 with a maximum risk rating of 16. The Board considers a risk priority of 8 or higher to be a principal risk.

GILBERT GILKES & GORDON LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2020

The following are identified as the principal risks and uncertainties faced by the Group:

| Risk | Priority | Impact & mitigation |
|----------------|----------|--|
| COVID-19 | 16 | The immediate impact of COVID-19 has been to depress revenues and profits in 2020 & 2021. The Group remains exposed to this risk whilst travel restrictions remain in place and localised outbreaks continue to occur. The risk extends to our production facilities and those of our suppliers, all of which are at risk of temporary closure in the event of an outbreak. In mitigation we have implemented COVID-secure working environments in our facilities and worked closely with our suppliers to manage joint risk and secure additional safety stocks. Financial measures have been taken to reduce costs and defer capital expenditure, and the Job Retention Scheme has been utilised to fund furlough wages. The Integrated Business Planning model adopted as part of our Class A award for business excellence has a rigorous 24 month rolling forecast process at its heart, providing clear visibility of future trading, enabling multiple scenarios to be evaluated and timely interventions to be made if required. |
| Brexit | 8 | Brexit has the potential to disrupt trade, reduce customer demand and increase costs if the outcome leads to unfavourable or restrictive trade agreements. The Group has planned around a hard Brexit scenario to ensure it can handle any predicted changes to import and export processes. Additional safety stocks of EU sourced products have been sourced to manage production risk. |
| Cyber security | 8 | The Group is dependent upon the availability of IT services. A critical failure in functionality, performance, data integrity or cyber security could cause significant down time, data loss and potential financial loss. The recent move to increased remote working during the pandemic exacerbates this risk. The Group has adopted a blended protection approach to minimise risk and is currently working towards the ISO 27001 – Information Security Management certification to ensure all best practice mitigations are adopted. |

Treasury policy

The Group finances its activities with a combination of cash reserves, bank loans, leases and hire purchase contracts as disclosed in Notes 19, 20 & 21.

The Group enters into the appropriate currency transaction dependent upon the circumstance. The value of sterling compared to both the US dollar and the Euro are watched very closely by the Group and action taken when appropriate. In large US dollar denominated contracts, particularly for hydropower, the Group mitigates the risk by sourcing almost all the equipment and raw materials in North America.

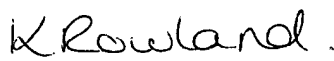
Creditor payment policy

The Group continues to strive to always pay its creditors on time and attaches great importance to honouring payment terms.

Future developments

The Group will continue with its strategy of looking for new opportunities in hydropower generation and efficient manufacture and continue to seek new customers for its range of diesel engine cooling pumps.

On behalf of the board



KL Rowland
Director

Date: 23 June 2021

GILBERT GILKES & GORDON LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 SEPTEMBER 2020

The Directors present their annual report and financial statements for the year ended 30 September 2020.

Principal activities

The principal activity of the Company and Group continued to be that of the design and manufacture of engine cooling pumps and hydro-electric power solutions.

Directors

The Directors who held office during the year and up to the date of signature of the financial statements were as follows:

C W N Crewdson OBE

V L Crewdson

A W Poole

KL Rowland

Going concern

The global pandemic has impacted trading heavily in 2020, reducing turnover by an estimated £3m leading to the first operating loss since 2005. The financial effect is anticipated to continue into 2020-21 and beyond, with the hydropower market deferring scheme investment until the economic climate has stabilised. Consequently, further losses in 2020-21 are highly likely and financial measures will continue to be taken throughout the year to reduce costs and defer capital expenditure. A restructuring exercise was undertaken in March 2021 to match headcount to revenues. The Directors consider that the Group has adequate reserves and mitigation strategies in place to deal with the ongoing impact of the pandemic.

Results and dividends

The results for the year are set out on page 9.

Ordinary dividends were paid amounting to £750,000 (2019: £415,000). In the prior year a dividend in specie of £3,326,000 was paid on 18 December 2018, relating to the demerger of investments in associates. The directors do not recommend payment of a further dividend.

Employees

Employees are kept fully informed about the performance of the business through monthly team briefings and quarterly presentations made to the whole Group.

Research and development

The Group continues to invest in research and development activities.

Political and charitable contributions

The Group made no political donations during the year and the total donations to charities were £15,000 (2019: £10,050).

Auditor

RSM UK Audit LLP have indicated their willingness to be reappointed for another term and appropriate arrangements have been put in place for them to be deemed reappointed as auditors in the absence of an Annual General Meeting.

Strategic report

The Group has chosen in accordance with Companies Act 2006, s. 414C(11) to set out in the Group's strategic report information required by Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, Sch. 7 to be contained in the Directors' Report.

GILBERT GILKES & GORDON LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2020

Statement of disclosure to auditor

So far as each person who was a Director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, each director has taken all the necessary steps that they ought to have taken as a director in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

On behalf of the board

KL Rowland

KL Rowland
Director

Date: 23 June 2021

GILBERT GILKES & GORDON LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 30 SEPTEMBER 2020

The Directors are responsible for preparing the Strategic Report and 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 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 group and company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and 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 Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GILBERT GILKES & GORDON LIMITED

Opinion

We have audited the financial statements of Gilbert Gilkes & Gordon Limited (the 'parent Company') and its subsidiaries (the 'Group') for the year ended 30 September 2020 which comprise the consolidated statement of comprehensive income, the consolidated statement of financial position, the company statement of financial position, the consolidated statement of changes in equity, the Company statement of changes in equity, the consolidated statement of cash flows 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 FRS 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 the parent Company's affairs as at 30 September 2020 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 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's or the parent Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information. 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 our audit:

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GILBERT GILKES & GORDON LIMITED (CONTINUED)

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 their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company 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 set out on page 6, 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 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 on the Financial Reporting Council's website at: <http://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.

RSM UK Audit LLP

Anthony Steiner FCA (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
Bluebell House
Brian Johnson Way
Preston
Lancashire, PR2 5PE

.....
24 June 2021

GILBERT GILKES & GORDON LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 SEPTEMBER 2020

| | Notes | 2020 £'000 | 2019 £'000 |
|--|----------|---------------|---------------|
| Turnover | 3 | 25,054 | 29,024 |
| Cost of sales | | (16,538) | (16,656) |
| Gross profit | | 8,516 | 12,368 |
| Distribution costs | | (300) | (639) |
| Administrative expenses | | (9,471) | (9,545) |
| Other operating income | 5 | 479 | 243 |
| Operating (loss)/profit | 8 | (776) | 2,427 |
| Share of results of associates and joint ventures | | - | (41) |
| Loss on disposal of associates | 4 | - | (361) |
| Interest receivable and similar income | 10 | 14 | 41 |
| Interest payable and similar expenses | 11 | (12) | (16) |
| (Loss)/profit before taxation | | (774) | 2,050 |
| Tax on (loss)/profit | 12 | 174 | (305) |
| (Loss)/profit for the financial year | | (600) | 1,745 |
| Other comprehensive income net of taxation | | | |
| Currency translation differences | | (62) | 97 |
| Other comprehensive income of associates and jointly controlled entities accounted for using the equity method | | - | (288) |
| Total comprehensive income for the year | | (662) | 1,554 |

(Loss)/profit for the financial year is all attributable to the owners of the parent company.

Total comprehensive income for the year is all attributable to the owners of the parent company.

GILBERT GILKES & GORDON LIMITED**CONSOLIDATED STATEMENT OF FINANCIAL POSITION****AS AT 30 SEPTEMBER 2020**

| | | 2020 | | 2019 | |
|--|-------|---------|---------|---------|--------|
| | Notes | £'000 | £'000 | £'000 | £'000 |
| Fixed assets | | | | | |
| Tangible assets | 14 | | 6,709 | | 5,817 |
| Current assets | | | | | |
| Stocks | 17 | 2,962 | - | 3,678 | |
| Debtors | 18 | 8,310 | | 8,129 | |
| Cash at bank and in hand | | 4,933 | | 5,727 | |
| | | 16,205 | | 17,534 | |
| Creditors: amounts falling due within one year | 19 | (6,370) | | (6,023) | |
| Net current assets | | | 9,835 | | 11,511 |
| Total assets less current liabilities | | | 16,544 | | 17,328 |
| Creditors: amounts falling due after more than one year | 20 | | (1,123) | | (649) |
| Provisions for liabilities | 22 | | (289) | | (135) |
| Net assets | | | 15,132 | | 16,544 |
| Capital and reserves | | | | | |
| Called up share capital | 23 | | 1,333 | | 1,333 |
| Share premium account | 24 | | 117 | | 117 |
| Profit and loss reserves | 24 | | 13,682 | | 15,094 |
| Total equity | | | 15,132 | | 16,544 |

The financial statements were approved by the board of directors and authorised for issue on 23 June 2021 and are signed on its behalf by:

K Rowland
 KL Rowland
 Director

GILBERT GILKES & GORDON LIMITED**COMPANY STATEMENT OF FINANCIAL POSITION****AS AT 30 SEPTEMBER 2020**

| | | 2020 | | 2019 | |
|--|-------|----------------|----------------------|----------------|----------------------|
| | Notes | £'000 | £'000 | £'000 | £'000 |
| Fixed assets | | | | | |
| Tangible assets | 14 | | 5,807 | | 4,850 |
| Investments | 15 | | 19 | | 19 |
| | | | <u>5,826</u> | | <u>4,869</u> |
| Current assets | | | | | |
| Stocks | 17 | 2,605 | | 3,237 | |
| Debtors | 18 | 7,851 | | 7,837 | |
| Cash at bank and in hand | | 4,476 | | 5,211 | |
| | | <u>14,932</u> | | <u>16,285</u> | |
| Creditors: amounts falling due within one year | 19 | <u>(6,164)</u> | | <u>(5,800)</u> | |
| Net current assets | | | <u>8,768</u> | | <u>10,485</u> |
| Total assets less current liabilities | | | <u>14,594</u> | | <u>15,354</u> |
| Creditors: amounts falling due after more than one year | 20 | | (965) | | (409) |
| Provisions for liabilities | 22 | | (289) | | (135) |
| Net assets | | | <u><u>13,340</u></u> | | <u><u>14,810</u></u> |
| Capital and reserves | | | | | |
| Called up share capital | 23 | | 1,333 | | 1,333 |
| Share premium account | 24 | | 117 | | 117 |
| Profit and loss reserves | 24 | | 11,890 | | 13,360 |
| Total equity | | | <u><u>13,340</u></u> | | <u><u>14,810</u></u> |

As permitted by s408 Companies Act 2006, the Company has not presented its own profit and loss account and related notes as it prepares Group accounts. The Company's loss for the year was £720,000 (2019: profit of £2,018,000).

The financial statements were approved by the board of directors and authorised for issue on 23 June 2021 and are signed on its behalf by:

KL Rowland

KL Rowland
Director

GILBERT GILKES & GORDON LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 SEPTEMBER 2020

| | Notes | Share capital £'000 | Share premium account £'000 | Profit and loss reserves £'000 | Total £'000 |
|--|-------|------------------------|--------------------------------|-----------------------------------|----------------|
| Balance at 1 October 2018 | | 1,333 | 117 | 17,281 | 18,731 |
| Year ended 30 September 2019: | | | | | |
| Profit for the year | | - | - | 1,745 | 1,745 |
| Other comprehensive income net of taxation: | | | | | |
| Currency translation differences | | - | - | 97 | 97 |
| Other comprehensive income of associates and jointly controlled entities accounted for using the equity method | | - | - | (288) | (288) |
| Total comprehensive income for the year | | - | - | 1,554 | 1,554 |
| Dividends | 13 | - | - | (3,741) | (3,741) |
| Balance at 30 September 2019 | | 1,333 | 117 | 15,094 | 16,544 |
| Year ended 30 September 2020: | | | | | |
| Loss for the year | | - | - | (600) | (600) |
| Other comprehensive income net of taxation: | | | | | |
| Currency translation differences | | - | - | (62) | (62) |
| Total comprehensive income for the year | | - | - | (662) | (662) |
| Dividends | 13 | - | - | (750) | (750) |
| Balance at 30 September 2020 | | 1,333 | 117 | 13,682 | 15,132 |

GILBERT GILKES & GORDON LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 SEPTEMBER 2020

| | Notes | Share capital £'000 | Share premium account £'000 | Profit and loss reserves £'000 | Total £'000 |
|--|-------|------------------------|--------------------------------|-----------------------------------|----------------|
| Balance at 1 October 2018 | | 1,333 | 117 | 15,083 | 16,533 |
| Year ended 30 September 2019: | | | | | |
| Profit and total comprehensive income for the year | | - | - | 2,018 | 2,018 |
| Dividends | 13 | - | - | (3,741) | (3,741) |
| Balance at 30 September 2019 | | 1,333 | 117 | 13,360 | 14,810 |
| Year ended 30 September 2020: | | | | | |
| Loss and total comprehensive income for the year | | - | - | (720) | (720) |
| Dividends | 13 | - | - | (750) | (750) |
| Balance at 30 September 2020 | | 1,333 | 117 | 11,890 | 13,340 |

GILBERT GILKES & GORDON LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 SEPTEMBER 2020

| | Notes | 2020 £'000 | 2019 £'000 |
|---|-------|---------------|---------------|
| Cash flows from operating activities | | | |
| Cash generated from/(absorbed by) operations | 25 | 766 | (665) |
| Interest received | | 2 | 25 |
| Income taxes paid | | (39) | (296) |
| Dividends paid | | (750) | (415) |
| Net cash outflow from operating activities | | (21) | (1,351) |
| Investing activities | | | |
| Purchase of tangible fixed assets | | (1,503) | (597) |
| Proceeds on disposal of tangible fixed assets | | 10 | - |
| Proceeds on disposal of associates | | - | 47 |
| Repayment of loans to associates | | - | 12 |
| Net cash used in investing activities | | (1,493) | (538) |
| Financing activities | | | |
| Proceeds of new bank loans | | 800 | - |
| Repayment of bank loans | | (80) | (66) |
| Net cash generated from/(used in) financing activities | | 720 | (66) |
| Net decrease in cash and cash equivalents | | (794) | (1,955) |
| Cash and cash equivalents at beginning of year | | 5,727 | 7,682 |
| Cash and cash equivalents at end of year | | 4,933 | 5,727 |

GILBERT GILKES & GORDON LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2020

1 Accounting policies

Company information

Gilbert Gilkes & Gordon Limited ("the Company") is a private Company limited by shares and is registered and incorporated in England and Wales. The registered office is Canal Head North, Kendal, Cumbria, LA9 7BZ.

The Group consists of Gilbert Gilkes & Gordon Limited and all of its subsidiaries.

The Company's and the Group's principal activities and nature of its operations are disclosed in the Directors' Report.

These financial statements have been made up to the 25 September 2020.

Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006, including the provisions of the Large and Medium-sized companies and Groups, (Accounts and Reports) Regulations 2008.

The financial statements are prepared in sterling, which is the functional currency of the Company. Monetary amounts in these financial statements are rounded to the nearest £'000.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

The Company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The Company has therefore taken advantage of exemptions from the following disclosure requirements for parent company information presented within the consolidated financial statements:

- Section 7 'Statement of Cash Flows' - Presentation of a statement of cash flows and related notes and disclosures;
- Section 11 'Basic Financial Instruments' – Carrying amounts, interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values;
- Section 33 'Related Party Disclosures' – Compensation for key management personnel.

The Company proposes to continue to adopt the reduced disclosure framework of FRS 102 in its next financial statements.

Basis of consolidation

The consolidated financial statements incorporate those of Gilbert Gilkes & Gordon Limited and all of its subsidiaries (i.e. entities that the Group controls through its power to govern the financial and operating policies so as to obtain economic benefits).

All financial statements are made up to 25 September 2020. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the Group.

All intra-group transactions, balances and unrealised gains on transactions between Group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

GILBERT GILKES & GORDON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2020

1 Accounting policies (Continued)

The cost of a business combination is the fair value at the acquisition date of the assets given, equity instruments issued and liabilities incurred or assumed, plus costs directly attributable to the business combination. The excess of the cost of a business combination over the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recognised as goodwill.

Going concern

The Group's business activities, together with the factors likely to affect its future development. Performance and position are set out in the Strategic Report on pages 1-3.

The Group has considerable financial resources together with a portfolio of clients spread across different market sectors and geographical areas. Consequently, the Directors believe that the Group is well placed to manage its normal business risks successfully.

The Group operates a robust 24 month rolling forecast process which it has utilised to evaluate various possible scenarios arising from the impact the COVID-19 pandemic including potential delays to current contracts and the logistical issues of local and international travel to customer sites. Detailed projections to September 2022 have been evaluated to test the financial resilience of the Group considering the potential decline in income over this period and remedial action has been taken where required.

Whilst the Directors believe that 2021 will be a challenging year, the stress testing of the Group's financial position indicates that it is appropriate to continue to adopt the going concern basis of accounting in preparing the financial statements.

Turnover

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services to customers.

An element of turnover is derived from long term contracts. Contract revenue is recognised over the term of the contract using the percentage completion method, measured by reference to the proportion that costs incurred for work performed to date bear to the total estimated costs. If the outcome of a contract cannot be estimated reliably, as may be the case in the initial stages of completion, revenue is only recognised to the extent that costs are expected to be recoverable.

No profit is recognised on a contract if a contract is expected to be loss making, the expected amount of the loss is recognised immediately in the income statement.

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

Research and development expenditure

Research expenditure is written off against profits in the year in which it is incurred. Identifiable development expenditure is capitalised to the extent that the technical, commercial and financial feasibility can be demonstrated.

Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost, net of depreciation and any impairment losses.

GILBERT GILKES & GORDON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2020

1 Accounting policies (Continued)

The Group assesses at each reporting date whether tangible fixed assets (including those leased under a finance lease) are impaired.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives to their residual value of each part of an item of tangible fixed assets including leased assets held for rental are depreciated over the lease term. The estimated useful lives are as follows:

| | |
|--------------------------------|---------------------------|
| Freehold land and buildings | 39-50 years straight line |
| Plant, machinery and equipment | 3-8 years straight line |
| Assets held for rental | 20-25 years straight line |

No depreciation has been provided during the year on freehold land valued at £609,000.

Assets under construction are not depreciated.

Fixed asset investments

In the separate accounts of the Company, interests in subsidiaries are initially measured at transaction price excluding transaction costs. In the case of a share for share exchange, the fair value of the shares issued is used as the transaction price.

Transaction costs are expensed to profit or loss as incurred. Changes in fair value are recognised in other comprehensive income except to the extent that a gain reverses a loss previously recognised in profit or loss, or a loss exceeds the accumulated gains recognised in equity; such gains and loss are recognised in profit or loss.

The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

Undertakings in which the Group has significant influence (i.e. the power to participate in the financial and operating policy decisions but not control or joint control over those policies) are classified as associates. The Group's share of the results, other comprehensive income and equity of associates are accounted for using the equity method based on the associate's financial statements to 31 December.

Impairment of fixed assets

At each reporting period end date, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

The carrying amount of the investments accounted for using the equity method is tested for impairment as a single asset. Any goodwill included in the carrying amount of the investment is not tested separately for impairment.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

GILBERT GILKES & GORDON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2020

1 Accounting policies (Continued)

Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is based on the first-in first-out principle and includes expenditure incurred in acquiring the stocks, production or conversion costs, and any other costs in bringing them to their existing location and condition. In the case of manufactured stocks and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

Financial instruments

The Group has elected to apply the provisions of Section 11 'Basic Financial Instruments' of FRS 102 to all of its financial instruments.

Financial instruments are recognised when the Group becomes party to the contractual provisions of the instrument.

Basic financial assets

Basic financial assets, which include trade and other debtors, gross amounts owed by contract customers, amounts owed by Group and associated undertakings, and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the financial asset is measured at the present value of the future receipts discounted at a market rate of interest.

Basic financial liabilities

Basic financial liabilities, including trade and other creditors, and bank loans are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date.

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

GILBERT GILKES & GORDON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2020

1 Accounting policies (Continued)

Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense in the period they are incurred.

Retirement benefits

A defined contribution pension plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

The assets of the scheme are held separately from those of the Group in an independently administered fund.

Leases

Payments made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease.

Income received under operating leases is recognised in the profit and loss account as it accrues.

Foreign exchange

Transactions in currencies other than the functional currency (foreign currency) are initially recorded at the exchange rate prevailing on the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies are translated at the rate ruling at the date of the transaction, or, if the asset or liability is measured at fair value, the rate when that fair value was determined.

All translation differences are taken to profit or loss, except to the extent that they relate to gains or losses on non-monetary items recognised in other comprehensive income, when the related translation gain or loss is also recognised in other comprehensive income.

Interest receivable, interest payable and dividend income

Interest receivable and similar income include interest receivable on funds invested.

Interest payable and similar charges include bank interest payable and finance lease interest recognised in profit or loss using the effective interest method.

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method. Dividend income is recognised in the profit and loss account on the date the entity's right to receive payments is established.

Government grants

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

The government grant income received during the year ended 30 September 2020 related to the government's Coronavirus Job Retention Scheme.

The grant specifies performance conditions and is recognised in income when the performance conditions are met, which is the month in which the employees are paid. A grant received before the recognition criteria are satisfied is recognised as a liability.

GILBERT GILKES & GORDON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2020

2 Judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, the Directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Critical judgements

The following are the critical judgements that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Revenue and profit recognition on long term contracts

An element of turnover is derived from long term contracts, and revenue is recognised using the percentage completion method.

The ultimate profitability of long term contracts is based upon estimates of costs, including allowances for technical and other risks, which are based upon the knowledge and experience of key management. Material changes to these estimates could affect overall profitability. These estimates of contract costs are reviewed and updated regularly, with the impact of any changes being reflected in ongoing results.

3 Turnover and other revenue

The Group's turnover and profit is all attributable to its business of designing, manufacturing, distributing and servicing pumps, pumping systems and hydro-electric equipment.

| | 2020 £'000 | 2019 £'000 |
|---|---------------|---------------|
| Turnover analysed by geographical market | | |
| United Kingdom | 8,847 | 19,328 |
| Other European countries | 4,725 | 4,914 |
| North America | 6,443 | 4,381 |
| Asia | 543 | 41 |
| Other countries | 4,496 | 360 |
| | <u>25,054</u> | <u>29,024</u> |

4 Loss on disposal of associates

| | 2020 £'000 | 2019 £'000 |
|---|---------------|---------------|
| Profit/(loss) on disposal of operations | - | 361 |

During the prior year the Company demerged the associates of the Group. The exceptional cost related to the realised losses on this demerger. The loss is one off in nature and is not expected to be repeated, as such it was classified as exceptional.

GILBERT GILKES & GORDON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2020

5 Other operating income

| | 2020 £'000 | 2019 £'000 |
|------------------------|---------------|---------------|
| Other operating income | 317 | 243 |
| Government grants | 162 | - |
| | <u>479</u> | <u>243</u> |

During the year the Company received £162,000 (2019: £Nil) of grant income under the Coronavirus Job Retention Scheme.

6 Employees

The average monthly number of persons (including directors) employed during the year was:

| | Group 2020 Number | 2019 Number | Company 2020 Number | 2019 Number |
|----------------|-------------------------|----------------|---------------------------|----------------|
| Administration | 124 | 117 | 124 | 119 |
| Production | 72 | 78 | 72 | 78 |
| Overseas | 15 | 15 | - | - |
| | <u>211</u> | <u>210</u> | <u>196</u> | <u>197</u> |

Their aggregate remuneration comprised:

| | Group 2020 £'000 | 2019 £'000 | Company 2020 £'000 | 2019 £'000 |
|-----------------------|------------------------|---------------|--------------------------|---------------|
| Wages and salaries | 6,717 | 7,129 | 6,249 | 6,587 |
| Social security costs | 644 | 682 | 606 | 630 |
| Pension costs | 870 | 830 | 870 | 830 |
| | <u>8,231</u> | <u>8,641</u> | <u>7,725</u> | <u>8,047</u> |

7 Directors' remuneration

| | 2020 £'000 | 2019 £'000 |
|---|---------------|---------------|
| Remuneration for qualifying services | 424 | 501 |
| Company pension contributions to defined contribution schemes | 128 | 74 |
| | <u>552</u> | <u>575</u> |

GILBERT GILKES & GORDON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2020

7 Directors' remuneration (Continued)

Remuneration disclosed above includes the following amounts paid to the highest paid director:

| | 2020 £'000 | 2019 £'000 |
|---|-------------------|-------------------|
| Remuneration for qualifying services | 146 | 184 |
| Company pension contributions to defined contribution schemes | 61 | 27 |
| | <u> </u> | <u> </u> |

Three directors (2019: three) were accruing pensions under the Group's defined contribution scheme.

The Directors constitute the key management personnel of the business at both a Group and Company level. This amount is exclusive of social security costs of £51,000 (2019: £42,000).

8 Operating (loss)/profit

| | 2020 £'000 | 2019 £'000 |
|--|-------------------|-------------------|
| Operating (loss)/profit for the year is stated after charging/(crediting): | | |
| Exchange losses/(gains) | 83 | (227) |
| Research and development costs | 634 | 834 |
| Depreciation of owned tangible fixed assets | 575 | 575 |
| (Profit)/loss on disposal of tangible fixed assets | (5) | 76 |
| Operating lease charges | 93 | 93 |
| | <u> </u> | <u> </u> |

9 Auditor's remuneration

| | 2020 £'000 | 2019 £'000 |
|--|-------------------|-------------------|
| Fees payable to the company's auditor and its associates: | | |
| For audit services | | |
| Audit of the financial statements of the group and company | 26 | 25 |
| | <u> </u> | <u> </u> |
| For other services | | |
| Taxation compliance services | 5 | 5 |
| All other non-audit services | 2 | 2 |
| | <u> </u> | <u> </u> |
| | 7 | 7 |
| | <u> </u> | <u> </u> |

10 Interest receivable and similar income

| | 2020 £'000 | 2019 £'000 |
|------------------------|-------------------|-------------------|
| Interest income | | |
| Other interest income | 14 | 41 |
| | <u> </u> | <u> </u> |

GILBERT GILKES & GORDON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2020

11 Interest payable and similar expenses

| | 2020 £'000 | 2019 £'000 |
|---------------------------------------|---------------|---------------|
| Interest on bank overdrafts and loans | 12 | 16 |

12 Taxation

| | 2020 £'000 | 2019 £'000 |
|--|---------------|---------------|
| Current tax | | |
| UK corporation tax on profits for the current period | (303) | 252 |
| Adjustments in respect of prior periods | (25) | (7) |
| Total current tax | (328) | 245 |
| Deferred tax | | |
| Origination and reversal of timing differences | 154 | 60 |
| Total tax (credit)/charge | (174) | 305 |

The total tax (credit)/charge for the year included in the income statement can be reconciled to the (loss)/profit before tax multiplied by the standard rate of tax as follows:

| | 2020 £'000 | 2019 £'000 |
|---|---------------|---------------|
| (Loss)/profit before taxation | (774) | 2,050 |
| Expected tax (credit)/charge based on the standard rate of corporation tax in the UK of 19.00% (2019: 19.00%) | (147) | 390 |
| Tax effect of expenses that are not deductible in determining taxable profit | 14 | 113 |
| Tax effect of income not taxable in determining taxable profit | (8) | (17) |
| Adjustments in respect of prior years | (25) | (60) |
| Effect of change in corporation tax rate | - | 6 |
| Research and development tax credit | (84) | (99) |
| Other non-reversing timing differences | 15 | - |
| Other permanent differences | (3) | (36) |
| Effect of overseas tax rates | 5 | - |
| Deferred tax adjustments in respect of prior years | 17 | - |
| Surrender of tax losses for R&D credit refund | 36 | - |
| Other allowances | 6 | - |
| Attributable to associates | - | 8 |
| Taxation (credit)/charge | (174) | 305 |

GILBERT GILKES & GORDON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2020

12 Taxation (Continued)

Reductions in the UK corporation tax rate from 19% to 17% (effective 1 April 2020) were substantively enacted on 6 September 2016.

On 17 March 2020, the Chancellor of the Exchequer announced the UK corporation tax rate would not be reduced to 17%. The deferred tax liability at balance sheet date has therefore been calculated at 19%.

13 Dividends

| | 2020 £'000 | 2019 £'000 |
|------------|---------------|---------------|
| Final paid | 750 | 3,741 |

The prior year figure above includes a dividend in specie of £3,326,000 which was paid on 18 December 2018, relating to the demerger of investments in associates.

14 Tangible fixed assets

| Group | Freehold land and buildings £'000 | Plant, machinery and equipment £'000 | Assets held for rental £'000 | Total £'000 |
|------------------------------------|---|---|------------------------------------|----------------|
| Cost | | | | |
| At 1 October 2019 | 4,518 | 5,143 | 1,492 | 11,153 |
| Additions | - | 1,503 | - | 1,503 |
| Disposals | - | (85) | - | (85) |
| Exchange adjustments | (31) | (17) | - | (48) |
| At 30 September 2020 | 4,487 | 6,544 | 1,492 | 12,523 |
| Depreciation and impairment | | | | |
| At 1 October 2019 | 1,726 | 3,125 | 485 | 5,336 |
| Depreciation charged in the year | 12 | 501 | 62 | 575 |
| Eliminated in respect of disposals | - | (81) | - | (81) |
| Exchange adjustments | (5) | (11) | - | (16) |
| At 30 September 2020 | 1,733 | 3,534 | 547 | 5,814 |
| Carrying amount | | | | |
| At 30 September 2020 | 2,754 | 3,010 | 945 | 6,709 |
| At 30 September 2019 | 2,792 | 2,018 | 1,007 | 5,817 |

GILBERT GILKES & GORDON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2020

14 Tangible fixed assets (Continued)

| Company | Freehold land and buildings | Plant, machinery and equipment | Assets held for rental | Total |
|------------------------------------|--------------------------------|--------------------------------------|---------------------------|--------|
| | £'000 | £'000 | £'000 | £'000 |
| Cost | | | | |
| At 1 October 2019 | 3,598 | 4,637 | 1,492 | 9,727 |
| Additions | - | 1,483 | - | 1,483 |
| Disposals | - | (85) | - | (85) |
| At 30 September 2020 | 3,598 | 6,035 | 1,492 | 11,125 |
| Depreciation and impairment | | | | |
| At 1 October 2019 | 1,598 | 2,793 | 486 | 4,877 |
| Depreciation charged in the year | - | 460 | 62 | 522 |
| Eliminated in respect of disposals | - | (81) | - | (81) |
| At 30 September 2020 | 1,598 | 3,172 | 548 | 5,318 |
| Carrying amount | | | | |
| At 30 September 2020 | 2,000 | 2,863 | 944 | 5,807 |
| At 30 September 2019 | 2,000 | 1,844 | 1,006 | 4,850 |

Included in plant & equipment additions are £1,207,646 (2019: £801,000) relating to assets in the course of construction. The asset is in the commissioning phase and accordingly, no depreciation has been charged on this asset for the year.

UK freehold land and buildings were valued on 30 June 2015 on the basis of existing use at £2,000,000. The carrying value of the property has been impaired to this valuation.

15 Fixed asset investments

| | Notes | Group 2020 £'000 | 2019 £'000 | Company 2020 £'000 | 2019 £'000 |
|-----------------------------|-------|------------------------|---------------|--------------------------|---------------|
| Investments in subsidiaries | 16 | - | - | 19 | 19 |

| Company | Shares in group undertakings £'000 |
|---|---|
| Cost or valuation | |
| At 1 October 2019 and 30 September 2020 | 19 |

GILBERT GILKES & GORDON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2020

16 Subsidiaries

Details of the Company's subsidiaries at 30 September 2020 are as follows:

| Name of undertaking | Registered office | Nature of business | Class of shares held | % Held | |
|----------------------------|---|------------------------|----------------------|--------|----------|
| | | | | Direct | Indirect |
| Gilkes Incorporated | 471 Columbia Memorial Parkway, Kemah, Texas, 77565, USA | Mechanical Engineering | Ordinary | 100.00 | - |
| Gilkes Hydro (Canada) Ltd | c/o 550 Burrard St, Suite 2900, Vancouver, V6COA3, Canada | Dormant | Ordinary | 100.00 | - |
| Gilkes Ltd | Canal Head North, Kendal, LA9 7BZ | Dormant | Ordinary | 100.00 | - |
| Gilkes Pumping Systems Ltd | Canal Head North, Kendal, LA9 7BZ | Dormant | Ordinary | 100.00 | - |

17 Stocks

| | Group 2020 £'000 | 2019 £'000 | Company 2020 £'000 | 2019 £'000 |
|-------------------------------|------------------------|---------------|--------------------------|---------------|
| Raw materials and consumables | 2,099 | 2,665 | 1,742 | 2,224 |
| Work in progress | 863 | 1,013 | 863 | 1,013 |
| | <u>2,962</u> | <u>3,678</u> | <u>2,605</u> | <u>3,237</u> |

18 Debtors

| | Group 2020 £'000 | 2019 £'000 | Company 2020 £'000 | 2019 £'000 |
|---|------------------------|---------------|--------------------------|---------------|
| Amounts falling due within one year: | £'000 | £'000 | £'000 | £'000 |
| Trade debtors | 5,542 | 5,835 | 4,908 | 5,297 |
| Payment in advance to suppliers | 82 | 629 | 82 | 629 |
| Corporation tax recoverable | 513 | 146 | 551 | 185 |
| Amounts owed by group undertakings | - | - | 172 | 239 |
| Other debtors | 85 | 1,235 | 79 | 1,235 |
| Prepayments and accrued income | 2,088 | 284 | 2,059 | 252 |
| | <u>8,310</u> | <u>8,129</u> | <u>7,851</u> | <u>7,837</u> |

Included within other debtors in the prior year was a formalised loan of £300,000 to Lakeland Arts Trust. This loan was repaid in the current year.

GILBERT GILKES & GORDON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2020

19 Creditors: amounts falling due within one year

| | | Group | | Company | |
|------------------------------------|-------|--------------|--------------|--------------|--------------|
| | Notes | 2020 | 2019 | 2020 | 2019 |
| | | £'000 | £'000 | £'000 | £'000 |
| Bank loans | 21 | 214 | 52 | 160 | - |
| Trade creditors | | 2,060 | 1,047 | 2,026 | 998 |
| Other taxation and social security | | 152 | 132 | 152 | 132 |
| Other creditors | | 624 | - | 624 | - |
| Accruals and deferred income | | 3,320 | 4,792 | 3,202 | 4,670 |
| | | <u>6,370</u> | <u>6,023</u> | <u>6,164</u> | <u>5,800</u> |

20 Creditors: amounts falling due after more than one year

| | | Group | | Company | |
|-----------------|-------|--------------|------------|------------|------------|
| | Notes | 2020 | 2019 | 2020 | 2019 |
| | | £'000 | £'000 | £'000 | £'000 |
| Bank loans | 21 | 798 | 240 | 640 | - |
| Deferred income | | 325 | 409 | 325 | 409 |
| | | <u>1,123</u> | <u>649</u> | <u>965</u> | <u>409</u> |

21 Borrowings

| | | Group | | Company | |
|--------------------------|--|--------------|------------|------------|----------|
| | | 2020 | 2019 | 2020 | 2019 |
| | | £'000 | £'000 | £'000 | £'000 |
| Bank loans | | 1,012 | 292 | 800 | - |
| | | <u>1,012</u> | <u>292</u> | <u>800</u> | <u>-</u> |
| Payable within one year | | 214 | 52 | 160 | - |
| Payable after one year | | 798 | 234 | 640 | - |
| Payable after five years | | - | 6 | - | - |
| | | <u>1,012</u> | <u>292</u> | <u>800</u> | <u>-</u> |

The Company has a new UK loan drawn under the Coronavirus Business Interruption Scheme in September 2020. The loan is repayable over 5 years and carries an interest rate of 3.07% over base rate; however the first year is interest free. The loan is secured over the UK land & buildings.

The Group has a US dollar mortgage repayable in equal instalments over ten years from October 2015, with a fixed interest rate of 4.5%. It is secured over the US land and buildings.

GILBERT GILKES & GORDON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2020

22 Deferred taxation

The major deferred tax liabilities and assets recognised by the Group and Company are:

| | Liabilities 2020 £'000 | Liabilities 2019 £'000 |
|--------------------------------|------------------------------|------------------------------|
| Group | | |
| Accelerated capital allowances | 315 | 135 |
| Tax losses | (41) | - |
| Other timing differences | 15 | - |
| | <u>289</u> | <u>135</u> |

| | Liabilities 2020 £'000 | Liabilities 2019 £'000 |
|--------------------------------|------------------------------|------------------------------|
| Company | | |
| Accelerated capital allowances | 315 | 135 |
| Tax losses | (41) | - |
| Other timing differences | 15 | - |
| | <u>289</u> | <u>135</u> |

| | Group 2020 £'000 | Company 2020 £'000 |
|-------------------------------|------------------------|--------------------------|
| Movements in the year: | | |
| Liability at 1 October 2019 | 135 | 135 |
| Charge to profit or loss | 154 | 154 |
| | <u>289</u> | <u>289</u> |

23 Share capital

| | Group and Company 2020 £'000 | 2019 £'000 |
|---|------------------------------------|---------------|
| Ordinary share capital Issued and fully paid | | |
| 1,333,333 Ordinary of £1 each | 1,333 | 1,333 |

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

GILBERT GILKES & GORDON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2020

24 Reserves

Profit and loss reserves

This reserve represents cumulative profit and loss less distributions to owners.

25 Cash generated from Group operations

| | 2020 £'000 | 2019 £'000 |
|--|---------------|---------------|
| (Loss)/profit for the year after tax | (600) | 1,745 |
| Adjustments for: | | |
| Share of results of associates and joint ventures | - | 41 |
| Taxation (credited)/charged | (174) | 305 |
| Finance costs | 12 | 18 |
| Investment income | (14) | (41) |
| (Gain)/loss on disposal of tangible fixed assets | (5) | 77 |
| Loss on disposal of associates | - | 361 |
| Depreciation and impairment of tangible fixed assets | 575 | 575 |
| Foreign exchange gains on cash equivalents | (31) | 41 |
| Movements in working capital: | | |
| Decrease in stocks | 716 | 203 |
| Decrease in debtors | 186 | 607 |
| Increase/(decrease) in creditors | 185 | (4,561) |
| (Decrease) in deferred income | (84) | (36) |
| Cash generated from/(absorbed by) operations | 766 | (665) |

26 Analysis of changes in net funds - Group

| | 1 October 2019 £'000 | Cash flows £'000 | Exchange rate movements £'000 | 30 September 2020 £'000 |
|---------------------------------|----------------------------|---------------------|--|-------------------------------|
| Cash at bank and in hand | 5,727 | (825) | 31 | 4,933 |
| Borrowings excluding overdrafts | (292) | (720) | - | (1,012) |
| | <u>5,435</u> | <u>(1,545)</u> | <u>31</u> | <u>3,921</u> |

GILBERT GILKES & GORDON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2020

27 Operating lease commitments

Lessee

At the reporting end date the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

| | Group 2020 £'000 | 2019 £'000 | Company 2020 £'000 | 2019 £'000 |
|----------------------------|------------------------|---------------|--------------------------|---------------|
| Within one year | 72 | 54 | 72 | 53 |
| Between one and five years | 53 | 61 | 53 | 61 |
| | <u>125</u> | <u>115</u> | <u>125</u> | <u>114</u> |

Lessor

Assets held for rental comprise hydroelectric power generation equipment. Rentals received are entirely contingent upon revenue generated by the schemes.

28 Capital commitments

Amounts contracted for but not provided in the financial statements:

| | Group 2020 £'000 | 2019 £'000 | Company 2020 £'000 | 2019 £'000 |
|--------------------------------------|------------------------|---------------|--------------------------|---------------|
| Acquisition of tangible fixed assets | - | 912 | - | 912 |
| | <u>-</u> | <u>912</u> | <u>-</u> | <u>912</u> |

29 Related party transactions

Transactions with related parties

During the year the Group entered into the following transactions with related parties:

| | Sales | | | |
|-----------------------|---|---------------|--|---------------|
| | 2020 £'000 | 2019 £'000 | 2020 £'000 | 2019 £'000 |
| Group | | | | |
| Other related parties | 232 | 353 | | |
| | <u>232</u> | <u>353</u> | | |
| | Receivables outstanding trade debtors: | | Receivables outstanding loan account: | |
| | 2020 £'000 | 2019 £'000 | 2020 £'000 | 2019 £'000 |
| Group | | | | |
| Other related parties | 16 | 16 | - | 316 |
| | <u>16</u> | <u>16</u> | <u>-</u> | <u>316</u> |

GILBERT GILKES & GORDON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2020

29 Related party transactions (Continued)

The following amounts were outstanding at the reporting end date:

| Amounts due from related parties | 2020 Balance £'000 |
|----------------------------------|--------------------------|
| Group | |
| Other related parties | 6 |

Included within other debtors is a formalised loan of £Nil (2019: £300,000) owed by Lakeland Arts Trust. Interest of £6,871 (2019: £1,537) has been charged on this balance during the year. CWN Crewdson OBE is a trustee of Lakeland Arts Trust.

30 Directors' transactions

In the prior year, included within other debtors was a loan due from CWN Crewdson OBE of £750,000. Interest of £5,404 was charged on this balance during the prior year. The maximum amount overdrawn during the prior year was £750,000. The loan was repaid in the current year.

31 Controlling party

The directors consider the ultimate parent undertaking to be Gilbert Gilkes & Gordon Holdings Limited.

Gilbert Gilkes & Gordon Holdings Limited is the immediate parent and the smallest and largest company for which consolidated accounts including Gilbert Gilkes & Gordon Limited are prepared. The consolidated accounts of Gilbert Gilkes & Gordon Holdings Limited are available from Companies House.

The Directors consider Mr CWN Crewdson and his wife Mrs VL Crewdson to be the ultimate controlling parties by virtue of their combined shareholding of 61% in the ultimate parent company.