

Unaudited Financial Statements
for the Year Ended 31 December 2019
for
DLT Engineering Ltd

Contents of the Financial Statements
for the Year Ended 31 December 2019

| | Page |
|-----------------------------------|------|
| Company Information | 1 |
| Balance Sheet | 2 |
| Notes to the Financial Statements | 4 |

DIRECTORS:

H Tao
A S Lamba

REGISTERED OFFICE:

International House
Midland Road
Higham Ferrers
Northamptonshire
NN10 8DN

REGISTERED NUMBER:

03940897 (England and Wales)

ACCOUNTANTS:

Willsons
Chartered Accountants
Carlton House
High Street
Higham Ferrers
Northamptonshire
NN10 8BW

Balance Sheet
31 December 2019

| | Notes | 31.12.19 £ | £ | 31.12.18 £ | £ |
|--|-------|------------------|----------------|----------------|----------------|
| FIXED ASSETS | | | | | |
| Intangible assets | 4 | | 1 | | 1 |
| Tangible assets | 5 | | <u>24,820</u> | | <u>45,534</u> |
| | | | 24,821 | | 45,535 |
| CURRENT ASSETS | | | | | |
| Stocks | | 7,496 | | - | |
| Debtors | 6 | 6,616,446 | | 376,872 | |
| Cash at bank and in hand | | <u>1,038,475</u> | | <u>230,629</u> | |
| | | 7,662,417 | | 607,501 | |
| CREDITORS | | | | | |
| Amounts falling due within one year | 7 | <u>6,876,692</u> | | <u>221,497</u> | |
| NET CURRENT ASSETS | | | <u>785,725</u> | | <u>386,004</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | | <u>810,546</u> | | <u>431,539</u> |
| CAPITAL AND RESERVES | | | | | |
| Called up share capital | 10 | | 100 | | 100 |
| Share premium | 11 | | 74,950 | | 74,950 |
| Retained earnings | 11 | | <u>735,496</u> | | <u>356,489</u> |
| SHAREHOLDERS' FUNDS | | | <u>810,546</u> | | <u>431,539</u> |

The company is entitled to exemption from audit under Section 477 of the Companies Act 2006 for the year ended 31 December 2019.

The members have not required the company to obtain an audit of its financial statements for the year ended 31 December 2019 in accordance with Section 476 of the Companies Act 2006.

The directors acknowledge their responsibilities for:

- ensuring that the company keeps accounting records which comply with Sections 386 and 387 of the Companies Act 2006 and
- preparing financial statements which give a true and fair view of the state of affairs of the company as at the end of each financial year and of its profit or loss for each financial year in accordance with the requirements of Sections 394 and 395 and which otherwise comply with the requirements of the Companies Act 2006 relating to financial statements, so far as applicable to the company.

The notes form part of these financial statements

Balance Sheet - continued
31 December 2019

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

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

The financial statements were approved by the Board of Directors and authorised for issue on 23 December 2020 and were signed on its behalf by:

H Tao - Director

Notes to the Financial Statements
for the Year Ended 31 December 2019

1. **STATUTORY INFORMATION**

DLT Engineering Ltd is a private company, limited by shares , registered in England and Wales. The company's registered number and registered office address can be found on the Company Information page.

2. **ACCOUNTING POLICIES**

Basis of preparing the financial statements

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

Critical accounting judgements and key sources of estimation uncertainty

In the application of the company'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 on 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.

Amount recoverable on long term contracts

The company applies its policy on contract accounting when recognising revenue and profit on partially completed contracts. The application of this policy requires judgements to be made in respect of the total expected costs to complete for each site. The company has in place established internal control processes to ensure that the evaluation of costs and revenue is based upon appropriate estimates.

Turnover

Turnover is recognised at fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

Goodwill

Goodwill represents the excess of the cost of acquisition of unincorporated businesses over the fair value of the net assets acquired. It is initially recognised as an asset at cost and is subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is considered to have a finite useful life and is amortised on a systematic basis over its expected life.

Tangible fixed assets

Tangible fixed assets are stated at cost (or deemed cost) or valuation less accumulated depreciation and accumulated impairment losses. Cost includes costs directly attributable to making the asset capable of operating as intended.

Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost, less estimated residual value, of each asset on a systematic basis over its expected useful life as follows:

Plant and machinery - Over ten years

Fixtures, fittings and equipment - Over three years

Stocks

Work in progress is valued at the lower of cost and net realisable value.

Cost is calculated using the first-in, first-out method and includes all purchase, transport, and handling costs in bringing stocks to their present location and condition.

Notes to the Financial Statements - continued
for the Year Ended 31 December 2019

2. ACCOUNTING POLICIES - continued

Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statement, when there is a legally enforceable right to set off the recognised amount and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include debtors, 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 transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debts, are initially recognised at transaction price unless the arrangement constitutes a financial transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

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

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Other financial liabilities

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate.

The company does not currently apply hedge accounting for interest rate and foreign exchange derivatives.

Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

Notes to the Financial Statements - continued
for the Year Ended 31 December 2019

2. **ACCOUNTING POLICIES - continued**

Taxation

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

Current or deferred taxation assets and liabilities are not discounted.

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

Deferred tax

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

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

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

Research and development

Expenditure on research and development is written off in the year in which it is incurred.

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

Hire purchase and leasing commitments

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

Employee and retirement benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

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

Impairment of fixed assets

Assets not measured at fair value are reviewed for any indication that the asset may be impaired at each balance sheet date. If such indication exists, the recoverable amount of the asset, or the asset's cash generating unit, is estimated and compared to the carrying amount. Where the carrying amount exceeds its recoverable amount, an impairment loss is recognised in profit or loss unless the asset is carried at a revalued amount where the impairment loss is a revaluation decrease.

Notes to the Financial Statements - continued
for the Year Ended 31 December 2019

2. **ACCOUNTING POLICIES - continued**

Construction contracts

When the outcome of a construction contract can be estimated reliably, contract costs and turnover are recognised by reference to the stage of completion at the balance sheet date. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipts is considered probable.

When it is probable that the total contract costs will exceed total contract turnover, the expected loss is recognised as an expense immediately.

Where the outcome cannot be measured reliably, contract costs are recognised as an expense in the period in which they are incurred and contract revenue is recognised to the extent of contract costs incurred where it is probable that they will be recoverable.

The "percentage of completion method" is used to determine the appropriate amount to recognise in a given period. The stage of completion is measured by the proportion of contract costs incurred for work performed to date compared to the estimated total contract costs. Costs incurred in the year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion. These costs are presented as stock, prepayments or other assets depending on their nature, and provided it is probable that they will be recovered.

Bank interest accruing on capital borrowed to fund the production of long term contracts is carried forward within long term contract balances.

Amounts recoverable on long term contracts, which are included in debtors, are stated at the net sales value of the work done after provision for contingencies and anticipated future losses on contracts, less amounts received as progress payments on account. Excess progress payments are included in creditors as payments on account. Claims are included in the valuation of contracts and credited to the profit and loss account only when entitlement has been established.

3. **EMPLOYEES AND DIRECTORS**

The average number of employees during the year was 23 (2018 - 23) .

4. **INTANGIBLE FIXED ASSETS**

| | Goodwill £ | Patents and licences £ | Totals £ |
|------------------------|---------------|---------------------------------|-------------|
| COST | | | |
| At 1 January 2019 | 15,000 | 15,001 | 30,001 |
| Disposals | (15,000) | - | (15,000) |
| At 31 December 2019 | - | 15,001 | 15,001 |
| AMORTISATION | | | |
| At 1 January 2019 | 15,000 | 15,000 | 30,000 |
| Eliminated on disposal | (15,000) | - | (15,000) |
| At 31 December 2019 | - | 15,000 | 15,000 |
| NET BOOK VALUE | | | |
| At 31 December 2019 | - | 1 | 1 |
| At 31 December 2018 | - | 1 | 1 |

Notes to the Financial Statements - continued
for the Year Ended 31 December 2019

5. **TANGIBLE FIXED ASSETS**

| | Plant and machinery £ | Office equipment £ | Totals £ |
|------------------------|-----------------------------|--------------------------|----------------|
| COST | | | |
| At 1 January 2019 | 40,000 | 164,892 | 204,892 |
| Additions | - | 24,791 | 24,791 |
| Disposals | (40,000) | - | (40,000) |
| At 31 December 2019 | <u>-</u> | <u>189,683</u> | <u>189,683</u> |
| DEPRECIATION | | | |
| At 1 January 2019 | 1,578 | 157,780 | 159,358 |
| Charge for year | - | 7,083 | 7,083 |
| Eliminated on disposal | (1,578) | - | (1,578) |
| At 31 December 2019 | <u>-</u> | <u>164,863</u> | <u>164,863</u> |
| NET BOOK VALUE | | | |
| At 31 December 2019 | <u>-</u> | <u>24,820</u> | <u>24,820</u> |
| At 31 December 2018 | <u>38,422</u> | <u>7,112</u> | <u>45,534</u> |

6. **DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

| | 31.12.19 £ | 31.12.18 £ |
|------------------------------------|------------------|----------------|
| Trade debtors | 3,178,932 | 21,160 |
| Amounts owed by group undertakings | 2,457,400 | 112,362 |
| Amounts recoverable on contracts | 787,052 | 1,895 |
| Other debtors | 364 | 46,406 |
| Tax | - | 6,510 |
| VAT | 57,456 | 24,070 |
| Prepayments and accrued income | <u>135,242</u> | <u>164,469</u> |
| | <u>6,616,446</u> | <u>376,872</u> |

7. **CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

| | 31.12.19 £ | 31.12.18 £ |
|------------------------------------|------------------|----------------|
| Bank loans and overdrafts | - | 30,825 |
| Trade creditors | 87,927 | 138,227 |
| Amounts owed to group undertakings | 511,283 | - |
| Corporation Tax | 298 | - |
| Social security and other taxes | 34,044 | 22,796 |
| Other creditors | - | 315 |
| Pension | 22,172 | - |
| Accruals and deferred income | 6,173,708 | 1,937 |
| Accrued expenses | <u>47,260</u> | <u>27,397</u> |
| | <u>6,876,692</u> | <u>221,497</u> |

Notes to the Financial Statements - continued
for the Year Ended 31 December 2019**8. LEASING AGREEMENTS**

Minimum lease payments under non-cancellable operating leases fall due as follows:

| | 31.12.19 | 31.12.18 |
|----------------------------|----------------|---------------|
| | £ | £ |
| Within one year | 32,750 | 38,025 |
| Between one and five years | 82,500 | 12,075 |
| | <u>115,250</u> | <u>50,100</u> |

9. SECURED DEBTS

HSBC Bank plc hold a first fixed charged and first floating charge over all assets both present and future.

The company has given security by way of a debenture in favour of HSBC Bank plc, in respect of the Unlimited Multilateral Guarantee for borrowing facilities available to the company and its fellow subsidiary DLT Equipment Ltd.

10. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:

| Number: | Class: | Nominal value: | 31.12.19 | 31.12.18 |
|---------|----------|----------------|------------|------------|
| | | £1 | £ | £ |
| 100 | Ordinary | | <u>100</u> | <u>100</u> |

11. RESERVES

| | Retained earnings | Share premium | Totals |
|---------------------|-------------------|---------------|----------------|
| | £ | £ | £ |
| At 1 January 2019 | 356,489 | 74,950 | 431,439 |
| Profit for the year | <u>379,007</u> | | <u>379,007</u> |
| At 31 December 2019 | <u>735,496</u> | <u>74,950</u> | <u>810,446</u> |

12. CONTINGENT LIABILITIES

At the balance sheet date the company had contingent liabilities in respect of a performance bond of Euro 950,000 (2018: £Nil).

13. OTHER FINANCIAL COMMITMENTS

At the balance sheet date the company had a potential plant buy back of £526,000 (2018: £Nil) from one of its projects.

14. ULTIMATE CONTROLLING PARTY

The controlling party is X Shi.

On 23 September 2020 Ices (Wuhan) Technology Co. Ltd became the parent company and the ultimate control is held by X Shi.