Exyte Hargreaves Limited (formerly MW Hargreaves Limited)

Annual report and financial statements

Registered number 00288899

31 December 2018

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Directors' report

The directors present their annual report and financial statements for the year ended 31 December 2018.

On 23 October 2018, the company changed its name to Exyte Hargreaves Limited, as a result of the change in ownership as detailed in note 14 to these accounts.

It was a year of transition for the company, realigning company focus on historical core market sectors, developing new relationships and reducing emphasis on the commercial ductwork market which had been largely responsible for disappointing results in years 2016 and 2017. Business leadership and management changes have been completed with a number of key strategic appointments made. The business is continuing its transition to a digital workplace with streamlined work flow and continues to invest in apprentice programmes and workforce talent development programmes.

Financial risk management

The Company's financial instruments comprise cash balances, payables and receivables that arise from its operations. The Company has no third party debt, and it obtains financial support from its Parent Company by way of loans. The Company's activities expose it to various financial risks, market risk (foreign exchange risk) and credit risk, and these are discussed more fully in Note 17 of the financial statements.

Going Concern

The financial statements have been prepared on a going concern basis which the directors believe to be appropriate. Following the profitable year and the recapitalisation of the Company during the year, the Company now has a net asset position of £3.1m. This, together with the long term plans for the business, means the Directors have a reasonable expectation that the Company has adequate resources to continue to operate for the foreseeable future.

Dividends and transfers to reserves

The directors do not recommend the payment of a dividend *(2017: £Nil)*. A retained profit of £339,000 *(2017: Loss £2,887,000)* has been transferred to reserves.

Directors

The directors who served during the year were as follows:

J Fowler
E Farey (resigned 24 February 2018)
A Sneyd (appointed 22 February 2018)

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that they ought to have taken as directors to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board

A Sneyd
Director

Registered office:
Lord Street
Bury
BL9 0RG

26/09/2019

Strategic report

Principal Activities

The principal activity of Exyte Hargreaves Limited ("the Company") is the project delivery including design, engineering and installation of HVAC, fire resistant and smoke control systems for high integrity client sectors and the manufacture of stainless steel ventilation containment, air ventilation ducting and components and the manufacture of fire resistant duct systems.

Extensions to the principal activities form part of the strategic focus for growth. By building on the Company's reputation and heritage, it aims to become a leading principle partner for the design, engineering, manufacture and delivery of HVAC systems for high-tech industries.

Business review and Future Prospects

The company's key financial and other performance indicators during the year were as follows:

	2018			2017		
	Core Business **£000s**	**Commercial & Trade Counters** **£000s**	**Total** **£000s**	Core Business £000s	Commercial & Trade Counters £000s	Total £000s
Revenue	**33,401**	**(304)**	**33,097**	27,837	13,727	41,564
Gross profit / (loss)	**2,585**	**(605)**	**1,980**	5,358	(3,331)	2,027
Gross profit %	**7.7%**	**-**	**6.0%**	19.2%	(24.3%)	4.9%

The turnover has decreased by 20.4% during the year reflecting the deliberate decision by management to refocus on historical core sectors which include the nuclear market and to move away from trade counters and commercial sector contracts.

Whilst trade counter operations had ceased before the commencement of 2018 a number of related premises remained, by the end of 2018 the majority of these had either been disposed of or sublet. Additionally, a commercial contract which extended into 2018 has now been completed, in concluding the final valuation on the contract there has been a (£0.6m) impact to Gross Profit.

The retained profit in the year together with the benefit of a £3.2m debt to equity swap performed by the Shareholder, the latter illustrating the ongoing parent company commitment to the company, have improved shareholder's funds by £3.6m to £3.1m.

The company has extensive experience in providing specialist service and is a key element in the supply chain of the nuclear, transport and defence industries in the UK, as such it remains well placed to meet the future demands of these sectors and have maintained it's focus of reputation and in maintaining a good collaborative working relationships with existing clients within these industries.

Strategic report (Continued)

During the year the initial stages of the new strategic management have delivered significant improvements, resulting in the realisation of a material improvement in company financial performance. Specific strategic activity during the period included:

- Extensive changes to the management board and extended leadership team.
- Refocusing of manufacturing and project delivery activities, including harnessing efficiencies in execution of both.
- Implementation of an improved strategy for new business aligned to core markets and high integrity products.

Looking forward the directors believe that these steps, together with a proactive roll out of further aspects of the new strategy, will continue to provide financial improvement and facilitate future business growth.

Internally the business will continue to drive greater operational transparency through the P&L separation of business manufacturing and operations (project delivery). This strategy can now be enabled and accelerated following changes to and strengthening of the management board and extended leadership team, where actions demonstrate a desire to invest in the company's future and also exhibit confidence in the new management direction.

The business has continued its focus of modernisation of systems and process, organisation structure, improved quality and quantity of sales pipeline as part of a back to basics programme which creates foundations for 2020 growth.

Principal risks and uncertainties

There are a number of potential risks and uncertainties, which could have a material impact on the Company's future performance and cause actual results to differ materially from expected or historical results.

The Company operates in competitive market sectors and competitive pressure is therefore a continuing risk for the business. In addition, the sectors in which the Company operates could fluctuate subject to the business to market risks. The Company also faces manufacturing and environmental risks. These risks have not changed from the prior year and include changes to economic conditions and government policy; breach of health, safety and environmental laws, regulations and standards; failure to win new contracts; commercial counterparty competence and solvency; loss of senior personnel; information technology and security; taxation, interest rate and foreign exchange risk. The implementation of the Risk Management Initiative introduced in previous years has started to reduce the risk and uncertainties that the company may have in the development of its business activities in future years

The Company's financial position and future prospects are described above. The return to profit during 2018 and the newly established extended leadership team provide the directors with the expectation that the Company will have adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Board has continued to adopt the going concern basis in preparing the Company's financial statements.

The impact of Brexit on the Company is an important short-term consideration with potential consequences ranging from increases in cost prices, lower consumer confidence, lower government expenditure and supply chain disruption. However, such disruptions are expected to be short term and the company has taken steps to attempt to mitigate these effects, whilst recognising that the high level of uncertainty of the potential implications of Brexit make the success of mitigation activities difficult to predict.

By order of the board

J Fowler
Director

26 September 2019

Statement of directors' responsibilities in respect of the Strategic report, the Directors' report and the financial statements

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 they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 Reduced Disclosure Framework.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Independent auditor's report to the members of Exyte Hargreaves Limited

Opinion

We have audited the financial statements of Exyte Hargreaves Limited ("the company") for the year ended 31 December 2018 which comprise the Profit and Loss Account and Other Comprehensive Income, Balance Sheet, Statement of Changes in Equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

The impact of uncertainties due to the UK exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, such as the recoverability of trade receivables and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model, including the impact of Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Independent auditor's report to the members of Exyte Hargreaves Limited (Continued)

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 4 the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

Independent auditor's report to the members of Exyte Hargreaves Limited (Continued)

The purpose of our audit work and to whom we owe our responsibilities

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.

Ian Brokenshire

Ian Brokenshire (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
66 Queen Square
Bristol
BS1 4BE

30 September 2019

Profit and Loss and Other Comprehensive Income

for year ended 31 December 2018

	Note	**2018** Continuing £000	Discontinued £000	Total £000	2017 Continuing £000	Discontinued £000	Total £000
Revenue	*1,2*	**33,401**	**(304)**	**33,097**	27,837	13,727	41,564
Cost of sales		**(30,816)**	**(301)**	**(31,117)**	(22,479)	(17,058)	(39,537)
Gross profit/(loss)		**2,585**	**(605)**	**1,980**	5,358	(3,331)	2,027
Administrative expenses		**(2,524)**	**-**	**(2,524)**	(5,080)	-	(5,080)
Other operating income		**1,062**	**-**	**1,062**	-	-	-
Operating profit/(loss)	*3-5*	**1,123**	**(605)**	**518**	278	(3,331)	(3,053)
Financial income	*6*	**328**	**-**	**328**	-	-	-
Financial expenses	*6*	**(28)**		**(28)**	(581)	-	(581)
Net financing		**300**	**-**	**300**	(581)	-	(581)
Profit/(loss) before tax		**1,423**	**(605)**	**818**	(303)	(3,331)	(3,634)
Tax on profit/(loss)	*7*	**(594)**	**115**	**(479)**	62	685	747
Profit/(loss)for the year		**829**	**(490)**	**339**	(241)	(2,646)	(2,887)

The profit and loss account presents all items of income and expenditure recognised in both 2017 and 2018. There are no items of other comprehensive income in either year.

All results of the current and previous financial year are disclosed between the continuing and discontinued operations as detailed in the strategic report.

The notes on pages 13 to 27 form an integral part of these financial statements.

Balance Sheet
at 31 December 2018

	Note	2018 £000	2018 £000	2017 £000	2017 £000
Non-current assets					
Tangible assets	8		1,275		1,352
Current assets					
Stocks	9	155		304	
Debtors – due within one year	10	12,160		12,204	
Cash at bank and in hand		1,335		957	
		13,650		13,465	
Creditors: amounts falling due within one year	11	(11,887)		(15,340)	
Net current assets/(liabilities)			1,763		(1,875)
Total assets less current liabilities			3,038		(523)
Net assets/(liabilities)			3,038		(523)
Capital and reserves					
Called up share capital	14		1,001		1,000
Share premium account	14		3,224		3
Revaluation reserve	14		123		123
Other reserves	14		90		90
Profit and loss account	14		(1,400)		(1,739)
Shareholder's funds			3,038		(523)

These financial statements were approved by the Board of Directors on 26 September 2019 and were signed on its behalf by:

Andy Sneyd

A Sneyd
Director

Company registered number: 00288899

The notes on pages 13 to 27 form an integral part of these financial statements.

Statement of Changes in Equity

	Share Capital £000	Share premium £000	Revaluation reserve £000	Other reserves £000	Profit and loss account £000	Total Equity £000
Balance at 1 January 2017	1,000	3	123	90	1,148	2,364
Total comprehensive income for the year						
Loss for the year	-	-	-	-	(2,887)	(2,887)
Balance at 31 December 2017	**1,000**	**3**	**123**	**90**	**(1,739)**	**(523)**

	Share Capital £000	Share premium £000	Revaluation reserve £000	Other reserves £000	Profit and loss account £000	Total Equity £000
Balance at 1 January 2018	1,000	3	123	90	(1,739)	(523)
Share issue (note 14)	1	3,221	-	-	-	3,222
Total comprehensive income for the year						
Profit for the year	-	-	-	-	339	339
Balance at 31 December 2018	**1,001**	**3,224**	**123**	**90**	**(1,400)**	**3,038**

The notes on pages 13 to 27 form an integral part of these financial statements.

Notes
(forming part of the financial statements)

1 Accounting policies

Exyte Hargreaves Limited (the "Company") is a company incorporated, domiciled and registered in England and Wales in the UK.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101").

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The Company's ultimate parent undertaking, M+W Group GmbH includes the Company in its consolidated financial statements. The consolidated financial statements of M+W Group GmbH are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from M+W Group GmbH, Löwentorbogen 9B, 70376 Stuttgart, Germany.

In these financial statements, the company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- a Cash Flow Statement and related notes;
- Comparative period reconciliations for share capital, tangible fixed assets, intangible assets and investment properties;
- Disclosures in respect of transactions with wholly owned subsidiaries ;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs;
- Disclosures in respect of the compensation of Key Management Personnel; and
- Disclosures of transactions with a management entity that provides key management personnel services to the company.

As the consolidated financial statements of M+W Group GmbH include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- IFRS 2 *Share Based Payments* in respect of group settled share based payments
- Certain disclosures required by IAS 36 *Impairment of assets* in respect of the impairment of goodwill and indefinite life intangible assets;
- Disclosures required by *IFRS 5 Non-current Assets Held for Sale and Discontinued Operations* in respect of the cash flows of discontinued operations;
- Certain disclosures required by IFRS 3 *Business Combinations* in respect of business combinations undertaken by the Company;
- Certain disclosures required by IFRS 13 *Fair Value Measurement* and the disclosures required by IFRS 7 *Financial Instrument Disclosures*.

Notes *(continued)*

1 Accounting policies *(continued)*

The Company proposes to continue to adopt the reduced disclosure framework of FRS 101 in its next financial statements.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

1.1 Measurement convention

The financial statements are prepared on the historical cost basis.

1.2 Going concern

The financial statements have been prepared on a going concern basis which the directors believe to be appropriate. Following the profitable year and the recapitalisation of the Company during the year, the Company now has a net asset position of £3.0m. This, together with the long term plans for the business, means the Directors have a reasonable expectation that the Company has adequate resources to continue to operate for the foreseeable future.

1.3 Foreign currency

Transactions in foreign currencies are translated to the Company's functional currencies at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account.

1.4 Classification of financial instruments issued by the Company

Following the adoption of IAS 32, financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

(a) they include no contractual obligations upon the company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company; and

(b) where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

1.5 Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other debtors, cash and cash equivalents, loans and borrowings, and trade and other creditors.

Trade and other debtors

Trade and other debtors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

Notes *(continued)*

1 Accounting policies *(continued)*

1.5 Non-derivative financial instruments (continued)

Trade and other creditors Trade and other creditors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

1.6 Changes in accounting policies

New or amended EU endorsed accounting standards

The Company has adopted IFRS 9 'Financial Instruments' and IFRS 15 'Revenue from Contracts with Customers' from 1 January 2018.

IFRS 9 Financial Instruments

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 'Financial Instruments: Recognition and Measurement'. IFRS 9 introduces new models for classification of financial assets and accounting for credit losses. Hedging rules have been amended to allow hedge accounting to be applied to more risks.

Adoption of IFRS 9 resulted in no adjustments to previously reported results.

IFRS 15 Revenue recognition

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 'Revenue', IAS 11 'Construction Contracts' and related interpretations.

The Company has adopted IFRS 15 on a fully retrospective basis. Adoption of IFRS 15 resulted in no adjustments to previously reported results.

1.7 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Freehold land and buildings that had been revalued to fair value prior to 1 January 2016, the date of transition to FRS101 are measured on the basis of deemed cost, being the revalued amount at the date of transition.

Depreciation is provided at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight line basis over its expected useful life. Land is not depreciated. The estimated useful lives are as follows:

Freehold buildings	-	2% per annum
Leasehold buildings	-	over the period of the lease
Plant, machinery and motor vehicles	-	10% - 33% per annum

1.8 Intangible assets, goodwill and negative goodwill

Research and development

Expenditure on research activities is recognised in the profit and loss account as an expense as incurred.

Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Company intends and has the technical ability and sufficient resources to complete development, future economic benefits are probable and if the Company can measure reliably the expenditure attributable to the intangible asset during its development. Development activities involve a plan or design for the production of new or substantially improved products or processes. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads and capitalised borrowing costs. Other development expenditure is recognised in the profit and loss account as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and less accumulated impairment losses.

Notes *(continued)*

1 Accounting policies *(continued)*

1.9 Revenue

Revenue represents the amounts (excluding value added tax) derived from the provision of goods and services to customers. Revenue is measured based on the consideration specified in a contract with a customer. Where consideration is not specified within the contract and is therefore subject to variability, revenue is based on an estimated amount of consideration to be received from a customer in respect of obligation performed. The consideration recognised is the amount which is highly probable not to result in a significant reversal in future periods. Where a modification to an existing contract occurs, the nature of the modification is assessed to determine whether it represents a separate performance obligation or whether it is a modification to the existing performance obligation. Due to the wide-ranging activities performed, and as such, depending on the nature of the product or service delivered and the timing of when control is passed onto the customer, revenue is accounted for over time and at a point in time. Where revenue is measured over time, the input method to measure progress of delivery is used. Revenue is recognised as follows: – revenue from project delivery activities is recognised over time and the input method to measure progress of delivery – revenue from direct supply of manufactured products is recognised at a point in time when title has passed to the customer.

Project delivery contracts

When the outcome of individual contracts can be estimated reliably, contract revenue and contract costs are recognised as revenue and expenses respectively by reference to the stage of completion of the performance obligation at the reporting date. Costs are recognised as incurred and revenue is recognised on the basis of the proportion of total costs at the reporting date to the estimated total costs for the performance obligation as detailed within the contract. Estimates of the final out-turn on each contract may include cost contingencies to take account of the specific risks within each contract that have been identified during the early stages of the contract. The cost contingencies are reviewed on a regular basis throughout the contract life and are adjusted where appropriate. However, the nature of the risks on contracts are such that they often cannot be resolved until the end of the project and therefore may not reverse until the end of the project. The estimated final out-turns on contracts are continuously reviewed, and in certain limited cases, recoveries from insurers are assessed, and adjustments made where necessary. No margin is recognised until the outcome of the contract can be estimated with reasonable certainty. Provision is made for all known or expected losses on individual contracts once such losses are foreseen. Revenue in respect of variations to contracts and incentive payments is recognised when it is highly probable it will be agreed by the customer. Revenue in respect of claims is recognised only if it is highly probable not to reverse in future periods. Profit for the year includes the benefit of claims settled in the year to the extent not previously recognised on contracts completed in previous years

1.10 Construction contract debtors

Construction contract debtors represent unbilled revenue amounts relating to contract work recognised to date in accordance with performance against obligations contained within customer contracts. They are measured using relevant certificates of completion less a provision for foreseeable losses and less progress billings.

Construction contract debtors are presented as part of debtors in the balance sheet. If payments received from customers exceed the income recognised, then the difference is presented as creditors:amounts falling due within one year in the balance sheet.

1.11 Stocks

Stocks are stated at the lower of cost and net realisable value. Costs incurred in bringing each product to its present location and condition are based on:

- Raw materials. Purchase cost on a weighted average basis, including carriage.
- Work in progress and finished goods. Cost of direct materials and labour, plus an appropriate proportion of manufacturing overheads based on normal levels of activity.

Net realisable value is based on estimated selling price, less further costs expected to be incurred to completion and sale.

Provision is made for obsolete, slowing moving or defective items where appropriate.

Notes *(continued)*

1.12 Impairment excluding stocks, and deferred tax assets

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. For expected losses a financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably. Any unexpected losses, in accordance with IFRS 9 Financial instruments, are calculated using a credit loss model approach informed by analysis of historic performance, principally relating to the sale of goods. Adoption of IFRS 9 resulted in no adjustments to previously reported results.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Trade debtors are initially recorded at their fair value and subsequently measured at amortised cost with allowance for any estimated irrecoverable amounts.

Non-financial assets

The carrying amounts of the Company's non-financial assets, other than stocks are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

1.13 Employee benefits

Defined contribution plans

A defined contribution 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.

1.14 Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

1.15 Expenses

Operating lease payments

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease. Lease incentives received are recognised in the profit and loss account as an integral part of the total lease expense.

Notes *(continued)*

1.16 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 is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

2 Analysis of revenue and profit before tax

Revenue and profit before tax all arose from the Company's principal activity and the Company does not segments its operations beyond its single activity. The geographical split of the Company's revenues is as follows:

	2018	2017
	£000	£000
UK	**33,470**	37,269
Europe	**(373)**	4,295
	33,097	41,564

Contract assets and liabilities

	2018	2017
	£000	£000
Contract assets	**4,972**	4,457
Contract liabilities	**(1,027)**	(1,091)
	3,945	3,366

Contract assets arise where goods or services are transferred to the customer before the customer pays consideration, or before payment is due. Contract assets represent our unconditional right to consideration for the goods and services supplied and performance obligations delivered. Contract liabilities relate to consideration received when the Company still has an obligation to deliver goods or services for that consideration.

Following adoption of IFRS 15 there was no impact of the figures for either December 2017 or December 2018.

Notes *(continued)*

3 Expenses and auditor's remuneration

Included in profit/loss are the following:

	2018 £000	2017 £000
Depreciation and other amounts written off tangible assets	**268**	312
Rentals under operating leases:		
Hire of plant and machinery	**-**	16
Other operating lease	**201**	230

Auditor's remuneration:

	2018 £000	2017 £000
Audit of these financial statements	**25**	25
Amounts receivable by the company's auditor and its associates in respect of:		
Taxation compliance services	**6**	6

4 Staff numbers and costs

The average number of persons employed by the Company (including directors) during the year, analysed by category, was as follows:

	Number of employees 2018	2017
Production	**266**	250
Selling and marketing	**6**	8
Administration	**30**	30
	302	288

The aggregate payroll costs of these persons were as follows:

	2018 £000	2017 £000
Wages and salaries	**11,056**	11,112
Social security costs	**1,134**	1,168
Contributions to defined contribution plans	**411**	334
	12,601	12,614

Notes *(continued)*

5 Directors' remuneration

	2018 £000	2017 £000
Wages and salaries	185	111
Car allowance	14	7
Pension	11	5
	210	123

One director (2017: one) was a member of the defined contribution scheme.

6 Finance income and expense

	2018 £000	2017 £000
Finance income		
Net foreign exchange profit	328	-
Total finance income	328	-
Finance expense		
Interest expense on loans from Group undertakings	28	14
Net foreign exchange loss	-	567
Total finance expense	28	581

Notes *(continued)*

7 Taxation

Recognised in the profit and loss account

	2018 £000	2017 £000
UK corporation tax		
Current tax on income for the period	**318**	(1)
Deferred tax		
Origination and reversal of temporary differences	**161**	(746)
Tax on profit	**479**	(747)

Reconciliation of effective tax rate

	2018 £000	2017 £000
Profit/(loss) for the year	**339**	(2,887)
Total tax expense/(credit)	**479**	(747)
Profit/(Loss) excluding taxation	**818**	(3,634)
Tax using the UK corporation tax rate of 19% *(2017: 19.25%)*	**155**	(699)
Non-deductible expenses	**20**	(48)
Current year losses for which no deferred tax asset has been recognised	**-**	-
Other short term timing differences	**304**	-
Total tax expense/(credit) (including tax on discontinued operations)	**479**	(747)

Factors that may affect future tax charges

A reduction in the UK corporation tax rate from 21% to 20% (effective from 1 April 2016) was substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2016, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2017. This will reduce the Company's future current tax charge accordingly.

The deferred tax asset at 31 December 2018 has been calculated based on 17%, and the asset is expected to be utilised within 3 years.

Notes *(continued)*

8 Tangible fixed assets

	Freehold land and Buildings £000	Leasehold land and buildings £000	Plant, machinery and motor vehicles £000	Total £000
Cost or valuation				
Balance at 1 January 2017	1,244	110	4,794	6,148
Additions	-	-	68	68
Balance at 31 December 2017	1,244	110	4,862	6,216
Balance at 1 January 2018	1,244	110	4,862	6,216
Additions	-	-	191	191
Disposals	-	-	(22)	(22)
Balance at 31 December 2018	1,244	110	5,031	6,385
Depreciation and impairment				
Balance at 1 January 2017	388	55	4,109	4,552
Depreciation charge for the year	22	2	288	312
Balance at 31 December 2017	410	57	4,397	4,864
Balance at 1 January 2018	410	57	4,397	4,864
Depreciation charge for the year	24	53	191	268
Disposals	-	-	(22)	(22)
Balance at 31 December 2018	434	110	4,566	5,110
Net book value				
At 1 January 2017	856	55	685	1,596
At 1 January 2018	834	53	465	1,352
At 31 December 2018	**810**	**-**	**465**	**1,275**

The net book value of freehold land which is not depreciated is £87,340 *(2016: £87,340)*.

Notes *(continued)*

9 Stocks

	2018 £000	2017 £000
Raw materials and consumables	**155**	304
	155	304

Raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales in the year amounted to £31,117,000 *(2017: £39,537,000)*.

10 Debtors

	2018 £000	2017 £000
Trade debtors	**4,974**	5,774
Contract assets	**4,972**	4,457
Amounts owed by group undertakings	**201**	62
Deferred tax (note 12)	**1,084**	1,245
Prepayments and accrued income	**929**	666
	12,160	12,204

11 Creditors: amounts falling due within one year

	2018 £000	2017 £000
Trade creditors	**4,525**	7,067
Amounts owed to group undertakings	**5,977**	7,273
Taxation and social security	**1,137**	476
Accruals and deferred income	**248**	524
	11,887	15,340

Notes *(continued)*

12 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	2018 £000	2017 £000
Accelerated capital allowances	**76**	(67)
Short term timing differences	**(17)**	-
Losses carried forward	**(1,143)**	(1,178)
Deferred tax asset	**(1,084)**	(1,245)

	2018 £000	2017 £000
Balance at 1 January 2018	**(1,245)**	(499)
Recognised in profit and loss	**161**	(746)
Balance at 31 December 2018	**(1,084)**	(1,245)

13 Employee benefits

Defined Contribution Scheme

The company operates a defined contribution pension plan. The total expense relating to this plan was £411,000 *(2017: £334,000)*. Contributions that were payable to the scheme, which have been included in Creditors: amounts falling due within one year were £98,000 *(2017: £48,000)*.

14 Share capital

	2018 £000	2017 £000
Allotted, called up and fully paid		
1,001,000 *(2017: 1,000,000)* ordinary shares of £1 each	**1,001**	1,000

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. On the 27 June 2018 MW High Tech Projects Limited sold 100% of the share capital to Exyte Singapore Pte Limited. On 28 September 2018 the Company issued 1,000 new ordinary £1 shares for consideration of £3,222,000, settled by way of a debt for equity swap. This resulted in an increase in share capital of £1,000 and an increase in share premium of £3,221,000.

Notes *(continued)*

15 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	2018 £000	2017 £000
Less than one year	**188**	111
Between one and five years	**65**	116
More than five years	**-**	-
	253	227

The Company leases a number of warehouse and factory facilities under operating leases.

During the year £201,000 was recognised as an expense in the profit and loss account in respect of operating leases *(2017: £246,000).*

16 Related parties

	Sales during		Purchases during	
	2018 £000	2017 £000	2018 £000	2017 £000
M+W Group GmbH	**-**	-	**262**	363
Exyte Singapore Pte Ltd	**-**	-	**2**	-
MW High Tech Project Ltd	**4,729**	5,671	**620**	693
	4,729	5,671	**884**	1,056

	Receivables outstanding		Creditors outstanding	
	2018 £000	2017 £000	2018 £000	2017 £000
M+W Group GmbH	**47**	-	**252**	3,718
Exyte Singapore Pte Ltd	**-**	-	**5,521**	-
MW High Tech Project Ltd	**154**	62	**204**	3,555
	201	62	**5,977**	7,273

Notes *(continued)*

17 Financial instruments

The Company's financial instruments comprise cash balances, payables and receivables that arise from its operations.

The Company's activities expose it to various financial risks, market risk (foreign exchange risk) and credit risk.

Foreign exchange risk

The Company operates in the EU and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Euro. Foreign exchange risk arises primarily from recognised assets and liabilities. The directors consider, where the numbers involved are material to the business, utilising derivative financial instruments to mitigate this exposure.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to the financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers. The Company has a credit policy in place and exposure to credit risk is monitored on an on-going basis.

Credit risk arising on operating and other receivables, loans due to Group companies and cash and cash equivalents is mitigated by management involvement in Group companies.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company evaluates and follows continuously the amounts of liquid funds needed for the business operations, in order to secure the funding needed for business activities and loan repayments. The availability and flexibility of the financing is needed to assure the Company's financial position. The Company's funding comes from shareholder loans.

Market risk

Market risk is the risk that changes in the market prices, such as foreign exchange rates and interest rates will affect the Company's income or the value of its holdings of financial instruments.

18 Ultimate parent company and parent company of larger group

The immediate parent undertaking is Exyte Singapore Pte Limited, registered at 16 International Business Park 02-00 Singapore 609929, which owns 100% of the share capital (note 14).

The ultimate parent company and controlling party is M+W Group GmbH. The consolidated accounts of this Company are available to the public and may be obtained from its registered office, which is M+W Group GmbH, Löwentorbogen 9B, 70376 Stuttgart, Germany.

Notes *(continued)*

19 Accounting estimates and judgements

In preparing these financial statements, the directors are required to make judgements, estimates and assumptions that affect the application of polices and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical results, experience and other factors that are believed to be reasonable measures. Actual results may differ from 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 if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Certain critical accounting judgements in applying the Company's accounting policies are described below:

- Revenue recognition
  The Company has recognised construction assets and the recoverability is regularly reviewed for each contract, and specific provisions are recognised for balances considered to be irrecoverable. In order to apply the Company's policy for recognition of revenue from such contracts that are only partially complete at the reporting date, the directors must assess the value of the of work completed on each contract.

- Provisions
  Provisions are liabilities of uncertain timing or amount and therefore in making a reliable estimate of the value and timing of liabilities judgement is applied and re-evaluated at each reporting date.