

**Exyte Hargreaves Limited (formerly Hargreaves
Ductwork Limited)**

Annual report and financial statements

Registered number 00288899

31 December 2017

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Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2017.

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 18 to these accounts.

It has been a challenging year for the company largely due its unsuccessful endeavours to break into the commercial ductwork market and expand existing trade counter operations; this has led to the directors revising the business strategy and returning the company's focus to its core market sectors.

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. 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.

Events after the reporting period

Details of events after the reporting period are presented in full in note 18 of the financial statements.

Dividends and transfers to reserves

The directors do not recommend the payment of a dividend (2016: £Nil). A retained loss of £2,887,000 (2016: Profit £3,391,000) has been transferred to reserves.

Directors

The directors who served during the year were as follows:

T Hopkinson (resigned 31 January 2017)

J Taylor (resigned 31 March 2017)

R Digoïn (resigned 17 August 2017)

J Fowler

E Farey (appointed 20 February 2017 and 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



J Fowler
Director

Methuen South
Bath Road
Chippenham
Wiltshire
SN14 0GT

28/11/ 2018

Strategic report

Principal Activities

The principal activity of Exyte Hargreaves Limited (“the Company”) is the engineering, manufacture and installation of high integrity stainless steel air ventilation ducting, the supply and distribution of heating and ventilating products and the manufacture and installation of fire resistant duct systems.

Business review and Future Prospects

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

	2017			2016		
	Core Business £000s	Commercial & Trade Counters £000s	Total £000s	Core Business £000s	Commercial & Trade Counters £000s	Total £000s
Revenue	27,837	13,727	41,564	23,638	14,685	38,323
Gross (loss)/ profit	5,358	(3,331)	2,027	3,287	(2,109)	1,178
Gross (loss)/profit %	19.2%	-24.3%	4.9%	13.9%	(14.4%)	3.1%

The turnover has increased by 8.5% during the year as a result of the company entering the competitive commercial market to bridge the gap of the slowing core market sectors and in particular the nuclear market, with a view to maintaining the business result of the previous year. However, the competitive nature of the market coupled with its drive to supply standard, low integrity, galvanised mass produced ductwork did not fit the company’s business model and resulted in a loss for the year which was principally derived from two commercial projects. The company was also impacted by material exchange losses on an inter-company loan of £(0.6)m. This is further detailed in Note 6 of the financial statements.

The losses reported in the year has directly contributed to the reduction in shareholder’s funds from £2.4m to £(0.5)m during the year. The closure of the trade counter business has also had an impact on Current Assets (reduction of stock and trade debtors) when compared to 2016.

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 very good working relationships with existing clients within these industries.

During the year there was a comprehensive strategy review which resulted in a number of changes and improvements:

- Return to focus on our specialist services in the markets in which we are experienced.
- Refocusing of manufacturing and project delivery activities.
- Changes in leadership.
- Extensive changes to the management board.
- A more robust strategy and selection process for new business underpinning the focus on markets and high integrity products.
- The closure of the Trade Counter operations.

The directors believe that these steps will return the company to profitability and allow it to grow further.

Strategic report (Continued)

Looking forward, in 2018, the business will continue to focus on its core market sectors, promoting and marketing its capability across sector communities. The recent name change to Exyte Hargreaves Limited underpins this.

Internally the business will drive greater operational transparency through the P&L separation of business manufacturing and operations (project delivery). This will also include changes to the business management structure, focusing on operational effectiveness and efficiency; the refocus of product research and development to maximise opportunities across core sectors; to undertake a review of current business systems, processes and create

a blue print for future business digitalisation, and the launch and delivery of the leadership talent development programme.

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. Poorly performing contracts are being closed out and manufacturing activity and future prospects are encouraging. The business has secured a healthy forward order position and when coupled with the post balance sheet changes should return the business back to profit. This gives the directors 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.

By order of the board



J Fowler
Director

28/11/ 2018

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 the Exyte Hargreaves Limited

Opinion

We have audited the financial statements of Exyte Hargreaves Limited ("the company") for the year ended 31 December 2017 which comprise the Profit and Loss 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 2017 and of its loss 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.

Going concern

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 twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

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.

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

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.

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.



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

29 November 2018

Profit and Loss and Other Comprehensive Income
for year ended 31 December 2017

	Note	2017			2016		
		Continuing £000	Discontinued £000	Total £000	Continuing £000	Discontinued £000	Total £000
Revenue	1,2	27,837	13,727	41,564	23,638	14,685	38,323
Cost of sales		(22,479)	(17,058)	(39,537)	(20,351)	(16,794)	(37,145)
Gross profit		5,358	(3,331)	2,027	3,287	(2,109)	1,178
Administrative expenses		(5,080)	-	(5,080)	(5,403)	-	(5,403)
Operating Loss	3-5	278	(3,331)	(3,053)	(2,116)	(2,109)	(4,225)
Financial expenses	6	(581)	-	(581)	-	-	-
Loss before tax		(303)	(3,331)	(3,634)	(2,116)	(2,109)	(4,225)
Tax on loss	7	62	685	747	418	416	834
Loss for the year		(241)	(2,646)	(2,887)	(1,698)	(1,693)	(3,391)

The profit and loss account presents all items of income and expenditure recognised in both 2016 and 2017. 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 10 to 24 form an integral part of these financial statements.

Balance Sheet
at 31 December 2017

	<i>Note</i>	2017	2016
		£000	£000
Non-current assets			
Tangible assets	8	1,352	1,596
Current assets			
Stocks	9	304	1,163
Debtors – due within one year	10	12,204	13,071
Cash at bank and in hand		957	423
		<u>13,465</u>	<u>14,657</u>
Creditors: amounts falling due within one year	11	<u>(15,340)</u>	<u>(13,889)</u>
Net current (liabilities)/assets		(1,875)	768
Total assets less current liabilities		(523)	2,364
Provisions for liabilities	12	-	-
Net (liabilities)/assets		(523)	2,364
Capital and reserves			
Called up share capital	14	1,000	1,000
Share premium account	14	3	3
Revaluation reserve	14	123	123
Other reserves	14	90	90
Profit and loss account	14	(1,739)	1,148
Shareholder's funds		(523)	2,364

These financial statements were approved by the Board of Directors on 28/11/2018 and were signed on its behalf by:



J Fowler
Director

Company registered number: 00288899

The notes on pages 10 to 24 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 2016	1,000	3	123	90	4,539	5,755
Total comprehensive income for the year						
Loss for the year	-	-	-	-	(3,391)	(3,391)
Balance at 31 December 2016	1,000	3	123	90	1,148	2,364

	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)

The notes on pages 10 to 24 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”). The amendments to FRS 101 (2016/15 Cycle) issued in July 2017 and effective immediately have been applied.

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 for the following reasons. The company should be able to operate for the foreseeable future with the financial support being provided by Exyte Singapore Pte. Ltd. In addition to this continuing support, since the balance sheet date there has been a capital increase by way of a debt to equity swap, which is detailed in note 18.

The directors have taken into account various risks and uncertainties, and the potential cash outflows required to complete the existing projects and despite the net liability position reflected in these accounts, the company is in a position to meet all of its liabilities as they fall due, as a result of the financial support provided by the parent company. Exyte Singapore Pte. Ltd have confirmed that they will continue to provide financial support until such a time that the company is able to pay its debts without support, and specifically for at least 12 months from the date of approval of these financial statements.

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)

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.

1.5 Non-derivative financial instruments (continued)

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 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 areas as follows:

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

1.7 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.

1.8 Revenue

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

Revenue from fixed price construction contracts is recognised on a percentage of completion method, measured by reference to the percentage of costs incurred to date to the estimated costs for each project.

Revenue from cost plus contracts is recognised by reference to the recoverable costs incurred during the period plus the fee earned, measured by the proportion that costs incurred to date bear to the estimated total costs of the contract.

Notes (continued)

1 Accounting policies (continued)

1.9 Construction contract debtors

Construction contract debtors represent the gross unbilled amount for contract work performed to date. They are measured at cost plus profit recognised to date (see the revenue accounting policy) less a provision for foreseeable losses and less progress billings. Variations are included in contract revenue when they are reliably measurable and it is virtually certain that the customer will approve the variation itself and the revenue arising from the variation. Claims are included in contract revenue only when they are reliably measurable and negotiations have reached an advanced stage such that it is sufficiently certain that the customer will accept the claim. Cost includes all expenditure related directly to specific projects and an allocation of fixed and variable overheads incurred in the Company's contract activities based on normal operating capacity.

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 accruals and deferred income in the balance sheet.

1.10 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.

1.11 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. 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.

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.

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.

Notes (*continued*)

1 Accounting policies (*continued*)

1.11 Impairment excluding stocks, and deferred tax assets (*continued*)

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.

1.12 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.

1.13 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.

1.14 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.

1.15 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.

Notes (continued)

2 Analysis of revenue and profit before tax

The directors have not disclosed an analysis of revenue and profit before tax as there is no requirement to do so under IFRS 8, as neither the Group's debt nor equity are listed or traded in a public market.

Revenue and profit before tax all arose from the Company's principal activity. Of the revenue, £37,269,000 (2016: £35,814,000) arose in the UK and £4,295,000 (2016: £2,509,000) arose in Europe.

3 Expenses and auditor's remuneration

Included in profit/loss are the following:

	2017 £000	2016 £000
Depreciation and other amounts written off tangible assets	312	177
Rentals under operating leases:		
Hire of plant and machinery	16	16
Other operating lease	230	317

Auditor's remuneration:

	2017 £000	2016 £000
Audit of these financial statements	25	23
Amounts receivable by the company's auditor and its associates in respect of:		
Taxation compliance services	6	4

Notes (continued)

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	
	2017	2016
Production	250	271
Selling and marketing	8	8
Administration	30	30
	<u>288</u>	<u>309</u>

The aggregate payroll costs of these persons were as follows:

	2017 £000	2016 £000
Wages and salaries	11,112	11,111
Social security costs	1,168	1,168
Contributions to defined contribution plans	334	334
	<u>12,614</u>	<u>12,613</u>

5 Directors' remuneration

	2017 £000	2016 £000
Directors' remuneration	<u>123</u>	<u>262</u>

During the year, £102,000 (2016: £99,000) was included for Directors' services that have been paid by another group company.

One director (2016: one) was a member of the defined contribution scheme.

6 Finance income and expense

	2017 £000	2016 £000
Finance expense		
Bank interest	-	-
Interest expense on loans from Group undertakings	14	-
Net foreign exchange loss	567	-
	<u>581</u>	<u>-</u>

Notes (continued)

7 Taxation

Recognised in the profit and loss account

	2017 £000	2016 £000
<i>UK corporation tax</i>		
Current tax on income for the period	(1)	(279)
<i>Deferred tax</i>		
Origination and reversal of temporary differences	(746)	(555)
Tax on profit	<u>(747)</u>	<u>(834)</u>

Reconciliation of effective tax rate

	2017 £000	2016 £000
(Loss)/Profit for the year	(2,887)	(3,391)
Total tax (credit)/expense	<u>(747)</u>	<u>(834)</u>
(Loss)/profit excluding taxation	<u>(3,634)</u>	<u>(4,225)</u>
Tax using the UK corporation tax rate of 19.25% (2016: 20%)	(699)	(845)
Non-deductible expenses	(48)	-
Current year losses for which no deferred tax asset has been recognised	-	11
Other short term timing differences	-	-
Total tax (credit)/expense (including tax on discontinued operations)	<u>(747)</u>	<u>(834)</u>

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 2017 has been calculated based on 19%, and the asset is expected to be utilised within 4 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 2016	1,244	110	4,792	6,146
Additions	-	-	2	2
Balance at 31 December 2016	1,244	110	4,794	6,148
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
Depreciation and impairment				
Balance at 1 January 2016	365	53	3,957	4,375
Depreciation charge for the year	23	2	152	177
Balance at 31 December 2016	388	55	4,109	4,552
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
Net book value				
At 1 January 2016	879	57	835	1,771
At 1 January 2017	856	55	685	1,596
At 31 December 2017	834	53	465	1,352

Notes (continued)

8 Tangible fixed assets (continued)

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

9 Stocks

	2017 £000	2016 £000
Raw materials and consumables	304	1,012
Work in progress	-	151
	<u>304</u>	<u>1,163</u>

Raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales in the year amounted to £39,537,000 (2016: £37,145,000).

10 Debtors

	2017 £000	2016 £000
Trade debtors	5,774	8,913
Construction contract debtors	4,457	3,409
Amounts owed by group undertakings	62	15
Deferred tax (note 12)	1,245	499
Prepayments and accrued income	666	235
	<u>12,204</u>	<u>13,071</u>

Notes (continued)

11 Creditors: amounts falling due within one year

	2017 £000	2016 £000
Trade creditors	7,067	8,115
Amounts owed to group undertakings	7,273	3,717
Taxation and social security	476	794
Accruals and deferred income	524	1,263
	<u>15,340</u>	<u>13,889</u>

12 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	2017 £000	2016 £000
Accelerated capital allowances	(67)	(47)
Short term timing differences	-	-
Losses carried forward	(1,178)	(452)
	<u>(1,245)</u>	<u>(499)</u>
Net tax (assets)/liabilities	<u>(1,245)</u>	<u>(499)</u>

	2017 £000	2016 £000
Balance at 1 January 2017	(499)	56
Recognised in profit and loss	(746)	(555)
	<u>(1,245)</u>	<u>(499)</u>
Balance at 31 December 2017	<u>(1,245)</u>	<u>(499)</u>

13 Employee benefits

Defined Contribution Scheme

The company operates a defined contribution pension plan. The total expense relating to this plan was £334,000 (2016: £334,000). Contributions that were payable to the scheme, which have been included in trade and other payables was £48,000 (2016: £48,000).

Notes (continued)

14 Capital and reserves

Share capital

	2017 £000	2016 £000
<i>Allotted, called up and fully paid</i>		
1,000,000 ordinary shares of £1 each	1,000	1,000

Reserves – Current year

	Share premium £000	Revaluation reserve £000	Other reserve £000	Profit and loss account £000	Total other comprehensive income £000
At 1 January 2017	3	123	90	1,148	1,364
Loss for the financial years	-	-	-	(2,887)	(2,887)
At 31 December 2017	3	123	90	(1,739)	(1,523)

Reserves – Comparative

	Share premium £000	Revaluation reserve £000	Other reserve £000	Profit and loss account £000	Total other comprehensive income £000
At 1 January 2016	3	123	90	4,539	4,755
Loss for the financial year	-	-	-	(3,391)	(3,391)
At 31 December 2016	3	123	90	1,148	1,364

Notes (continued)

15 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	2017 £000	2016 £000
Less than one year	111	34
Between one and five years	116	288
More than five years	-	-
	<u>227</u>	<u>322</u>

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

During the year £246,000 was recognised as an expense in the profit and loss account in respect of operating leases (2016: £334,000).

16 Related parties

	Sales during		Purchases during	
	2017 £000	2016 £000	2017 £000	2016 £000
Ultimate Parent	-	-	363	365
Intermediate parent	5,671	4,235	693	274
	<u>5,671</u>	<u>4,235</u>	<u>1,056</u>	<u>639</u>

	Receivables outstanding		Creditors outstanding	
	2017 £000	2016 £000	2017 £000	2016 £000
Ultimate Parent	-	-	3,718	565
Intermediate parent	62	15	3,555	3,152
	<u>62</u>	<u>15</u>	<u>7,273</u>	<u>3,717</u>

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, 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 18).

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.

19 Subsequent Events

On the 27th June 2018, the immediate parent company MW High Tech Projects UK Limited, sold 100% of the share capital to Exyte Singapore Pte Ltd.

On the 28th September 2018 the new immediate parent granted a capital increase by way of a debt to equity swap, and would have had the following effect on the year-end balance sheet should the transaction have happened in December 2017:

Balance Sheet
at 31 December 2017

	Including Subsequent Event 2017		Audited 2017	
	£000	£000	£000	£000
Non-current assets				
Tangible assets		1,352		1,352
Current assets				
Stocks	304		304	
Debtors – due within one year	12,204		12,204	
Cash at bank and in hand	957		957	
	<u>13,465</u>		<u>13,465</u>	
Creditors: amounts falling due within one year	<u>(12,119)</u>		<u>(15,340)</u>	
Net current assets		<u>1,346</u>		<u>(1,875)</u>
Total assets less current liabilities		<u>2,698</u>		<u>(523)</u>
Provisions for liabilities		-		-
Net assets		<u>2,698</u>		<u>(523)</u>
Capital and reserves				
Called up share capital		1,001		1,000
Share premium account		3,223		3
Revaluation reserve		123		123
Other reserves		90		90
Profit and loss account		(1,739)		(1,739)
Shareholder's funds		<u>2,698</u>		<u>(523)</u>