

CRANE STOCKHAM VALVE LIMITED

Annual report and financial statements

for the year ended 31 December 2016

Registered number: 549383



Crane Stockham Valve Limited

Contents

Officers and professional advisors	1
Strategic Report	2
Directors' Report	4
Directors' Responsibility Statement	5
Independent Auditor's Report	6
Profit and Loss	7
Statement of Comprehensive Income	8
Balance Sheet	9
Statement of Changes in Equity	10
Notes to the Financial Statements	11

Crane Stockham Valve Limited

Officers and professional advisors

DIRECTORS

M H Mitchell
N Blakeney
D Jones

SECRETARY

JH Jackson

AUDITOR

Deloitte (NI) Limited
Belfast

BANKERS

National Westminster Bank
2 Tavern Street
Ipswich
IP1 3BD

SOLICITORS

Addleshaw Goddard LLP
100 Barbirolli Square
Manchester
M2 3AB

REGISTERED OFFICE

Grange Road
Cwmbran
Gwent
Wales
NP44 3XX

Crane Stockham Valve Limited

Strategic report

for the year ended 31 December 2016

Principal activities and review of the business

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out below. In addition the financial statements include the Company's objectives, policies and processes for managing its financial risk management objectives; details of its financial instruments and its exposures to credit risk and liquidity risk.

The Company's principal activities are the manufacture and distribution of industrial valves, based solely in Belfast. The product mix consists of 2 main products – DuoChek and NozChek and the geographical destination of the orders is worldwide. The product mix ratio, the geographical split of turnover and the absolute value of turnover are dependent on the buoyancy of the worldwide markets (which depends, amongst other things, on oil and gas development activity and desalination projects) and the impact of competition in any particular year.

Approximately 10% of turnover comprises 'standard' product – i.e. forecastable, repeat, stockable items – while the other 90% is 'project' business.

Global crude oil price dropped in 2015 and although increased in 2016, the price ended below 2015 averages. This has led to a trend of projects being put on hold and facilitating a more competitive market thus putting pressure on the Company's profit margins. The Company faced difficulties managing its costs against these tighter margin contributions in the year which drove its recognised loss. This was compounded by a large cancelled order that had already started production. Contributing to these additional costs was the continued cost pressure resulting from the implementation of a new ERP system, which significantly affected the first half of 2016.

Cost measures, to reduce the cost base of the Company, have been implemented to aid the impact of the reducing margins. This can be evidenced by the achievement of a reduced loss compared to the prior year particularly if the one-off cancelled order is taken out of the comparison.

Turnover in 2016 were up on the Company's annual plan and up over 40% on the previous year. The weakening of sterling that took place in 2016 increased the company's competitiveness for foreign sales which exceeded the level of outgoing foreign currency from purchases. Ship profit margin was maintained and up on 2015 despite the market pressures, however, the orders for 2016 have seen a fall which will impact the sales revenue in the upcoming year.

The Company's loss after tax for the year amounts to £1,464,472 (2015: loss £3,773,536). The Company's net asset position was impacted in the year by a £2,556,001 increase its defined benefit liability pension to £3,727,684 (2015:£1,171,683), as a result of actuarial losses.

Key performance indicators

The company used a number of financial measures to monitor progress against strategies and corporate objectives. The main key performance indicators are orders received, profit before tax and profit before tax as a % of sales.

	2016	2015
Orders booked in year	£7,638,000	£14,458,000
Loss before tax	£1,820,299	£3,563,445

In addition to financial measures, the company also allocates resource and, where relevant, establishes indicators to monitor and manage key areas such as environmental, health and safety, quality, employee communications and training on relevant compliance matters.

Environmental, health and safety is overviewed by a manager dedicated to that function and supported by a number of indicators, such as hours lost due to accidents, and company policies, such as the requirement to report all accidents to the ultimate parent company in the U.S., Crane Co, with photographs and details of corrective action to be taken to eliminate or reduce the risk of further similar accidents.

Quality, as would be expected, also has a dedicated manager armed with information, such as 'cost of poor quality' to help focus on where action is needed.

Crane Stockham Valve Limited

Strategic report (continued)

for the year ended 31 December 2016

Key performance indicators (continued)

Two way employee communications are extensive including monthly updates on key issues and financial results, weekly sessions on selected subjects and 'skip' meetings, where the site leader meets with staff, without their line managers present.

In terms of compliance the company uses a global on line training programme where relevant staff participate – on such matters as business ethics, workplace harassment and export compliance.

Principal risks and uncertainties

The Company's activities expose it to a number of financial risks including price risk, credit risk, cash flow risk and liquidity risk.

Cash flow risk

The Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates. The Group uses Crane Group to hedge these exposures.

Credit and liquidity risk

The Company's principal financial assets are bank balances and cash and trade and other receivables.

The Company's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies. The Company has no significant concentration of credit risk, with exposure mitigated, where appropriate, by letter of credit cover.

The Company's liquidity is maintained by availability of funds from its parent company. The parent makes arrangements for funding for all Crane UK companies, with UK banks.

Price risk

The company is exposed to supplier price increases with metal surcharges being the main exposure. However these increases are passed on to customers in what is predominantly a project-orientated business. The fact that there are a limited number of check valve suppliers, and that they all are subject to such price movements, reduces the exposure.

Future developments

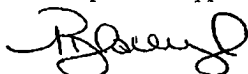
Market forces will continue to put pressure on keeping a historic level of sales and maintaining a significant shipment margin to cover the Company's cost base. The Directors believe the next year sales and shipment margins will be expected to drop from the current year due to the continuing market pressures. However, the accumulated effect of the aforementioned cost measures, already implemented in 2017 by the Company, should help to mitigate the impact to operating profits. The orders booked in the year have seen a significant drop in 2016 but the Directors believe the backlog of orders will allow a stable footing for the following year.

Significant investment by the Company in a new cryogenic and high pressure gas facility (built in 2017) is expected to provide further benefits of diversification and securing more orders dependent on more in-house testing. This facility will provide further cost benefits by creating the capacity to test much of our high pressure testing in-house rather than using higher costing sub-contractors and aid in the reduction of delivery lead times.

The uncertainty around 'Brexit' is expected to keep the value of sterling low which will have a positive effect on the Company's competitiveness as over 90% of the Company's incoming revenue is from foreign currency outweighing the level of outgoing foreign currency from purchases.

APPROVAL

This report was approved by the board of directors on 31 October 2017 and signed on its behalf by:



Nicholas Blakeney

Director

Crane Stockham Valve Limited

Directors' report

for the year ended 31 December 2016

The directors present their annual report on the affairs of the Company, together with the financial statements and auditor's report, for the year ended 31 December 2016.

Results and dividends

The Company's loss for the year amounts to £1,464,472 (2015: loss £3,773,536) and is dealt with as shown in the profit and loss account on page 7. The directors do not propose any dividend in the year. (2015: £nil).

Research and development

During 2016 the company has continued to carry out research and development work on a variety of valves which are variations on both the DuoChek and NozChek designs. This work continues to be driven by updated evaluation of customer requirements and has increased due to the volume and complexity of requests for quotations from customers.

Going concern

The directors have also considered the company's current position, cash flow projections, and certain letters of support in place with other group companies. As a result of the together with the fact the company has significant contracts with a number of customers across different geographic areas and industries. The directors believe that the company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

Directors

The directors, who served throughout the year except as noted, were as follows:

M H Mitchell	J A Lumsden (resigned 23 November 2016)
S McIntock (resigned 27 September 2016)	N Blakeney (appointed 22 November 2016)
D Jones (appointed 22 November 2016)	

Future developments and risk management objectives and policies

Details of future developments, events that have occurred after the balance sheet date and principal risks and uncertainties can be found in the Strategic Report on pages 2-3.

Auditor

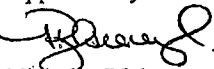
Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Deloitte (NI) Limited have expressed their willingness to continue in office as auditor and appropriate arrangements have been put in place for them to be deemed reappointed auditor in the absence of an Annual General Meeting.

Approved by the Board on 31/10/17 and signed on its behalf by:


Nicholas Blakeney

Director

Crane Stockham Valve Limited

Directors' Responsibilities Statement

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". 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 accounting 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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 also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditor's report to the members of Crane Stockham Valve Limited

We have audited the financial statements of Crane Stockham Valve Limited for the year ended 31 December 2016 which comprise the Profit and Loss Account, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 19. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

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

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report and the Directors' Report.

Matters on which we are required to report by exception

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

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

Dawn Johnston

Dawn Johnston FCA (Senior Statutory Auditor)
for and on behalf of Deloitte (NI) Limited
Chartered Accountants and Statutory Auditor
Belfast, United Kingdom

31 October 2017

Crane Stockham Valve Limited

Profit and loss account

For the year ended 31 December 2016

	Note	2016 £	2015 £
Turnover	3	20,018,668	14,106,825
Cost of sales		(17,593,913)	(13,472,427)
Gross profit		2,424,755	634,398
Selling and distribution expenses		(2,488,257)	(1,883,663)
Administrative expenses		(1,718,797)	(2,255,180)
Operating loss		(1,782,299)	(3,504,445)
Finance costs	4	(38,000)	(59,000)
Loss on ordinary activities before taxation	5	(1,820,299)	(3,563,445)
Tax on loss on ordinary activities	7	355,827	(210,091)
Loss for the financial year attributable to the equity shareholders of the Company		<u>(1,464,472)</u>	<u>(3,773,536)</u>

Crane Stockham Valve Limited

Statement of comprehensive income For the year ended 31 December 2016

	Note	2016 £	2015 £
Loss for the financial year		<u>(1,464,472)</u>	<u>(3,773,536)</u>
Actuarial (losses)/gains recognised on the pension schemes	16	(2,824,000)	253,000
Deferred tax charge on these actuarial (losses)/gains	7	-	(51,232)
Other comprehensive income		<u>(2,824,000)</u>	<u>201,768</u>
Total comprehensive income attributable to equity shareholders of the Company		<u><u>(4,288,472)</u></u>	<u><u>(3,571,768)</u></u>

Crane Stockham Valve Limited

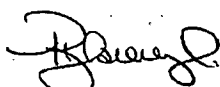
Balance sheet

At 31 December 2016

	Note	2016 £	2015 £
Fixed assets			
Tangible assets	8	1,337,159	1,521,299
Investments	9	1,497,849	1,515,363
		<u>2,835,008</u>	<u>3,036,662</u>
Current assets			
Stocks	10	2,929,318	10,585,164
Debtors: due within one year	11	6,151,102	3,789,771
Cash at bank and in hand		280,252	22,332
		<u>9,360,672</u>	<u>14,397,267</u>
Creditors: amounts falling due within one year	12	<u>(7,881,967)</u>	<u>(11,387,745)</u>
Net current assets		<u>1,478,705</u>	<u>3,009,522</u>
Total assets less current liabilities		<u>4,313,713</u>	<u>6,046,184</u>
Provisions for liabilities	13	<u>(3,727,684)</u>	<u>(1,171,683)</u>
Net assets		<u>586,029</u>	<u>4,874,501</u>
Capital and reserves			
Called-up share capital	14	5,500,000	5,500,000
Profit and loss account	14	<u>(4,913,971)</u>	<u>(625,499)</u>
Shareholders' funds		<u>586,029</u>	<u>4,874,501</u>

The financial statements of Crane Stockham Valve Limited (registered number 549383) were approved by the board of directors and authorised for issue on 31 October 2017.

They were signed on its behalf by:



Nicholas Blakeney

Director

Crane Stockham Valve Limited

Statement of changes in equity At 31 December 2016

	Called-up share capital £	Profit and loss account £	Total £
At 31 December 2014	5,500,000	2,946,269	8,446,269
Loss for the financial year	-	(3,773,536)	(3,773,536)
Actuarial gains recognised on the pension schemes	-	253,000	253,000
Deferred tax charge on these actuarial gains	-	(51,232)	(51,232)
Total comprehensive income	-	(3,571,768)	(3,571,768)
At 31 December 2015	5,500,000	(625,499)	4,874,501
Loss for the financial year	-	(1,464,472)	(1,464,472)
Actuarial loss recognised on the pension schemes	-	(2,824,000)	(2,824,000)
Total comprehensive income	-	(4,288,472)	(4,288,472)
At 31 December 2016	<u>5,500,000</u>	<u>(4,913,971)</u>	<u>586,029</u>

Crane Stockham Valve Limited

Notes to the financial statements For the year ended 31 December 2016

1. Accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year unless otherwise stated.

a. General information and basis of accounting

Crane Stockham Valve Limited is a company incorporated in the United Kingdom under the Companies Act 2006 and is registered in England. The address of the registered office is given on page 1. The nature of the Company's operations and its principal activities are set out in the strategic report on pages 2 to 3.

The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value, and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

The functional currency of Crane Stockham Valve Limited is considered to be pounds sterling because that is the currency of the primary economic environment in which the Company operates.

Crane Stockham Valve Limited meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements. Crane Stockham Valve Limited is consolidated in the financial statements of its parent, Crane Co, which may be obtained at 100 First Stamford Place, Stamford, Connecticut. Exemptions have been taken in these separate Company financial statements in relation to share-based payments, financial instruments, presentation of a cash flow statement and remuneration of key management personnel.

The company is a wholly owned subsidiary of Crane Co, a company incorporated outside the EEA and in accordance with Section 401 of the Companies Act 2006, is not required to produce, and has not published, consolidated accounts.

b. Going concern

The directors have also considered the company's current position, cash flow projections, and certain letters of support in place with other group companies. As a result of the together with the fact the company has significant contracts with a number of customers across different geographic areas and industries. The directors believe that the company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

c. Intangible assets – research and development

Research expenditure is written off as incurred. Development expenditure is also written off, except where the directors are satisfied as to the technical, commercial and financial viability of individual projects. In such cases, the identifiable expenditure is capitalised as an intangible asset and amortised over the period during which the Company is expected to benefit. This period is between three and five years. Provision is made for any impairment.

d. Tangible fixed assets

Tangible fixed assets are stated at cost or valuation, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets, other than investment properties and freehold land, 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, as follows:

Buildings	25 years
Plant and machinery	10 years
Fixtures and fittings	3 - 10 years
Freehold land is not depreciated.	

Crane Stockham Valve Limited

Notes to the financial statements

For the year ended 31 December 2016 (continued)

1. Accounting policies (continued)

d. *Tangible fixed assets (continued)*

Residual value represents the estimated amount which would currently be obtained from disposal of an asset, after deducting estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

e. *Financial instruments*

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument.

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

(i) *Financial assets and liabilities*

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the statement of financial position when, and only when there exists a legally enforceable right to set off the recognised amounts and the Company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Debt instruments which meet the certain conditions are subsequently measured at amortised cost using the effective interest method.

Debt instruments that are classified as payable or receivable within one year on initial recognition and which meet the above conditions are measured at the undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment.

Commitments to make and receive loans which meet the conditions mentioned above are measured at cost (which may be nil) less impairment.

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the Company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the Company, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

(ii) *Investments*

Investments in subsidiaries and associates are measured at cost less impairment. For investments in subsidiaries acquired for consideration including the issue of shares qualifying for merger relief, cost is measured by reference to the nominal value of the shares issued plus fair value of other consideration. Any premium is ignored.

f. *Stocks*

Stocks are stated at the lower of cost and estimated selling price less costs to sell, which is equivalent to the net realisable value. Cost includes materials, direct labour and an attributable proportion of manufacturing overheads based on normal levels of activity. Cost is calculated using the FIFO (first-in, first-out) method. Provision is made for obsolete, slow-moving or defective items where appropriate.

Crane Stockham Valve Limited

Notes to the financial statements

For the year ended 31 December 2016 (continued)

1. Accounting policies (continued)

g. Impairment of assets

Assets, other than those measured at fair value, are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss as described below.

Non-financial assets

An asset is impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated recoverable value of the asset has been reduced. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

Where indicators exist for a decrease in impairment loss, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

Financial assets

For financial assets carried at amortised cost, the amount of impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

Where indicators exist for a decrease in impairment loss, and the decrease can be related objectively to an event occurring after the impairment was recognised, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired financial asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

h. Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of the timing difference. Deferred tax relating to property, plant and equipment measured using the revaluation model and investment property is measured using the tax rates and allowances that apply to sale of the asset.

Where items recognised in other comprehensive income or equity are chargeable to or deductible for tax purposes, the resulting current or deferred tax expense or income is presented in the same component of comprehensive income or equity as the transaction or other event that resulted in the tax expense or income.

Current tax assets and liabilities are offset only when there is a legally enforceable right to set off the amounts and the Company intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Crane Stockham Valve Limited

Notes to the financial statements

For the year ended 31 December 2016 (continued)

1. Accounting policies (continued)

h. Taxation (continued)

Deferred tax assets and liabilities are offset only if: a) the Company has a legally enforceable right to set off current tax assets against current tax liabilities; and b) the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

i. Turnover

Turnover is stated net of VAT and trade discounts and is recognised when the significant risks and rewards are considered to have been transferred to the buyer. Turnover from the sale of goods is recognised when the goods are physically delivered to the customer. Turnover from the supply of services represents the value of services provided under contracts to the extent that there is a right to consideration and is recorded at the fair value of the consideration received or receivable. Where a contract has only been partially completed at the balance sheet date turnover represents the fair value of the service provided to date based on the stage of completion of the contract activity at the balance sheet date. Where payments are received from customers in advance of services provided, the amounts are recorded as deferred income and included as part of creditors due within one year.

j. Foreign currency

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date.

k. Leases

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term.

l. Government grants

Government grants are recognised based on the accrual model and are measured at the fair value of the asset received or receivable. Grants are classified as relating either to revenue or to assets. Grants relating to revenue are recognised in income over the period in which the related costs are recognised. Grants relating to assets are recognised over the expected useful life of the asset. Where part of a grant relating to an asset is deferred, it is recognised as deferred income.

m. Employee benefits

For defined benefit schemes the amounts charged to operating profit are the costs arising from employee services rendered during the period and the cost of plan introductions, benefit changes, settlements and curtailments. They are included as part of staff costs. The net interest cost on the net defined benefit liability is charged to profit or loss and included within finance costs. Remeasurement comprising actuarial gains and losses and the return on scheme assets (excluding amounts included in net interest on the net defined benefit liability) are recognised immediately in other comprehensive income.

Defined benefit schemes are funded, with the assets of the scheme held separately from those of the Company, in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit credit method. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date.

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs and other retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Other long-term employee benefits are measured at the present value of the benefit obligation at the reporting date.

Crane Stockham Valve Limited

Notes to the financial statements

For the year ended 31 December 2016 (continued)

1. Accounting policies (continued)

n. *Share-based payment*

The Company grants to certain employees rights to equity instruments of Crane Co, its parent company. The required disclosures are therefore included in Crane Co consolidated financial statements.

As they are cash-settled share-based payments, a liability is recognised for the goods or services acquired, measured initially at the fair value of the liability. At each balance sheet date until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognised in profit or loss for the year.

2. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 1, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised 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.

Critical judgements and estimates in applying the Company's accounting policies

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

Defined benefit assumptions

The measurement of retirement benefit obligations requires the estimation of life expectancies, future changes in salaries, inflation, the expected return on scheme assets, estimated contributions and the selection of a suitable discount rate (see note 16).

3. Turnover and revenue

The Company's turnover is derived from the sale of goods. A geographical analysis of turnover and profit on ordinary activities before taxation attributable to each class of activity of the company has been omitted because, in the opinion of the directors, the disclosure of such information would be seriously prejudicial to the interest of the company.

4. Finance costs

	2016 £	2015 £
Net interest on the net defined benefit liability	38,000	59,000

Crane Stockham Valve Limited

Notes to the financial statements

For the year ended 31 December 2016 (continued)

5. Loss on ordinary activities before taxation

Loss on ordinary activities before taxation is stated after charging/(crediting):

	2016 £	2015 £
Depreciation of owned tangible fixed assets	302,074	238,620
Impairment of investment	17,514	-
Research and development	53,590	50,116
Foreign exchange (gain)/loss	(552,202)	54,636
Cost of stock recognised as an expense	12,200,713	8,940,612
Rental under operating leases – plant & equipment	23,358	11,893
Fees payable to the Company's auditor for the audit of the Company's annual accounts	40,000	38,500
Fees payable to the Company's auditor for other services- Tax compliance services	4,400	3,800
	<u>4,400</u>	<u>3,800</u>

6. Staff numbers and costs

The average monthly number of employees (including executive directors) was:

	2016 Number	2015 Number
Management	13	13
Administration	8	8
Production, distribution and sales	89	95
	<u>110</u>	<u>116</u>

Crane Stockham Valve Limited

Notes to the financial statements

For the year ended 31 December 2016 (continued)

6. Staff numbers and costs (continued)

Their aggregate remuneration comprised:

	2016 £	2015 £
Wages and salaries	3,863,550	4,038,177
Social security costs	431,818	470,940
Defined contribution pension costs	128,164	161,005
Other pension costs (note 16)	54,000	111,000
	<u>4,477,532</u>	<u>4,781,122</u>

'Other pension costs' includes only those items included within operating costs. Items reported elsewhere have been excluded.

Share-based payments

The Company participates in the parent company's cash settled restricted stock unit (RSU) scheme. The required disclosures are therefore included in Crane Co consolidated financial statements. Crane Stockham Valve Limited measures its share-based payment expense at fair value being the share price of Crane Co at the date of vesting.

Emoluments of directors

Directors emoluments including benefits in kind but excluding pension contributions were as follows

	2016 £	2015 £
Emoluments	135,310	175,548
Loss of office	78,000	-
	<u>213,310</u>	<u>175,548</u>

None (2015: None) of the directors who served during the year are members of the company pension schemes and therefore there are no benefits accruing (2015: £nil).

	2016 £
Remuneration of the highest paid director:	
Emoluments	<u>213,310</u>

Crane Stockham Valve Limited

Notes to the financial statements

For the year ended 31 December 2016 (continued)

7. Tax on loss on ordinary activities

The tax charge comprises:

	2016 £	2015 £
Current tax on loss on ordinary activities		
UK corporation tax for the year	(351,215)	-
Adjustments in respect of the prior periods	(4,612)	(126,427)
Total current tax	(355,827)	(126,427)
Deferred tax		
Current year charge	-	250,546
Adjustments in respect of the prior periods	-	85,972
Total deferred tax	-	336,518
Total tax (credit)/charge	(355,827)	210,091

The difference between the total tax charge shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows:

	2016 £	2015 £
Loss on ordinary activities before tax	(1,820,299)	(3,563,445)
Tax on loss on ordinary activities at standard UK corporation tax rate of 20 per cent (2015: 20.25 per cent)	(364,060)	(721,598)
Effects of:		
Change in tax rates	-	11,616
Expenses not deductible	8,343	5,526
Deferred tax not recognised	4,502	955,002
Adjustments in respect of the prior periods	(4,612)	(40,455)
Total tax charge for period	(355,827)	210,091

During the year the company has derecognised all deferred tax assets as recoverability of these is uncertain. The unrecognised deferred tax asset would be £959,504 (2015: £955,002).

The standard rate of UK Corporation Tax was reduced from 21% to 20% with effect from 1 April 2015. Finance Act 2015 provides for a future reduction of the Corporation Tax rate to 19% from 1 April 2017. Finance Act 2016 further reduced the rate to 17% with effect from 1 April 2020. These reductions to the tax rate had been substantively enacted at the balance sheet date and have therefore been reflected in these financial statements.

Crane Stockham Valve Limited

Notes to the financial statements

For the year ended 31 December 2016 (continued)

7. Tax on loss on ordinary activities (continued)

Deferred tax assets and liabilities are offset only where the Company has a legally enforceable right to do so and where the assets and liabilities relate to income taxes levied by the same taxation authority on the same taxable entity or another entity within the Company.

	2016 £	2015 £
Deferred taxation		
At 1 January	-	387,750
Charged to profit and loss account	-	(250,546)
Charged to other comprehensive income	-	(51,232)
Prior year adjustment	-	(85,972)
	<u>-</u>	<u>-</u>
At 31 December	<u>-</u>	<u>-</u>

8. Tangible fixed assets

	Freehold land and buildings £	Fixtures, Fittings, Plant & Machinery £	Assets in course of construction £	Total £
Cost or valuation				
At 1 January 2016	803,126	3,461,233	-	4,264,359
Additions	7,420	101,679	8,835	117,934
Disposals	-	(272,514)	-	(272,514)
	<u>810,546</u>	<u>3,290,398</u>	<u>8,835</u>	<u>4,109,779</u>
At 31 December 2016	<u>810,546</u>	<u>3,290,398</u>	<u>8,835</u>	<u>4,109,779</u>
Depreciation				
At 1 January 2016	444,911	2,298,149	-	2,743,060
Charge for the year	27,938	274,136	-	302,074
Disposals	-	(272,514)	-	(272,514)
	<u>472,849</u>	<u>2,299,771</u>	<u>-</u>	<u>2,772,620</u>
At 31 December 2016	<u>472,849</u>	<u>2,299,771</u>	<u>-</u>	<u>2,772,620</u>
Net book value				
At 31 December 2016	<u>337,697</u>	<u>990,627</u>	<u>8,835</u>	<u>1,337,159</u>
At 31 December 2015	<u>358,215</u>	<u>1,163,084</u>	<u>-</u>	<u>1,521,299</u>

Crane Stockham Valve Limited

Notes to the financial statements

For the year ended 31 December 2016 (continued)

9. Fixed asset investments

	2016 £
Cost at 1 January and 31 December	1,515,363
Impairment	
At 1 January 2016	-
Charge for the year	17,514
	<u>17,514</u>
Net book value	
At 31 December 2016	1,497,849
At 31 December 2015	<u>1,515,363</u>

The investment relates to Triangle Valve Company Limited, registered number 1706070, with a registered office of Grange Road, Cwmbran, Gwent, Wales, NP44 3XX, was acquired on 2 July 1993. The company owns 100% of the voting rights and shares of Triangle Valve Company Limited, which has not traded since 31 December 1993. During the year the company impaired its investment by £17,514 as a result of a review of the carrying value versus realisable value.

10. Stocks

	2016 £	2015 £
Raw materials and consumables	1,248,219	4,798,796
Work in progress	1,230,285	5,295,118
Finished goods	450,814	491,250
	<u>2,929,318</u>	<u>10,585,164</u>

11. Debtors

	2016 £	2015 £
Amounts falling due within one year:		
Trade debtors	3,617,376	2,800,455
Amounts owed by fellow group undertakings	2,365,221	199,477
Other debtors	119,493	683,902
Prepayments and accrued income	49,012	105,937
	<u>6,151,102</u>	<u>3,789,771</u>

Crane Stockham Valve Limited

Notes to the financial statements

For the year ended 31 December 2016 (continued)

12. Creditors: amounts falling due within one year

	2016 £	2015 £
Trade creditors	1,523,409	2,772,396
Amount owed to subsidiary undertaking	1,587,988	1,587,988
Amount owed to fellow group undertakings	3,243,690	4,803,758
Other creditors	784,738	1,466,914
Other taxation and social security	135,430	149,354
Accruals and deferred income	606,712	607,335
	<u>7,881,967</u>	<u>11,387,745</u>

13. Provisions for liabilities

	Defined benefit liability £
At 1 January 2016	(1,171,863)
Charged to profit and loss account	(91,821)
Credited to other comprehensive income	(2,824,000)
Contributions by employer	360,000
At 31 December 2016	<u>(3,727,684)</u>

The provision for the defined benefit scheme liability is disclosed in greater detail in note 16.

14. Called-up share capital and reserves

	2016 £	2015 £
Allotted, called-up and fully-paid		
5,500,000 ordinary shares of £1 each	<u>5,500,000</u>	<u>5,500,000</u>

The Company has one class of ordinary shares which carry no right to fixed income.

The profit and loss reserve represents cumulative profits or losses, net of dividends paid and other adjustments.

15. Financial commitments

Total future minimum lease payments under non-cancellable operating leases are as follows:

	2016 £	2015 £
Within 1 year	26,056	2,892
Between 1 year and 5 years	45,598	-
Over 5 years	-	-
	<u>71,654</u>	<u>2,892</u>

Crane Stockham Valve Limited

Notes to the financial statements

For the year ended 31 December 2016 (continued)

16. Employee benefits- *Defined benefit schemes*

The Company operates a defined benefit scheme in the UK which is a final salary plan and provides benefits linked to salary at retirement or earlier date of leaving service.

The Scheme is governed by Trustee, who are responsible for ensuring that there are sufficient funds to meet current and future obligations. The contributions payable into the Scheme are determined by the Trustee after obtaining agreement from the Company, and after obtaining the advice of the Actuary at each formal triennial actuarial valuation. At the last triennial funding valuation, the Company agreed to pay contributions to attempt to eliminate the deficit revealed at that valuation. The Scheme's assets are held in a separate fund from the Company's assets.

There are no future contributions due under the current scheme by members, the company expect to make employer contributions of £528,000 over the coming year.

The valuation used has been based on the most recent formal actuarial valuation at 5 April 2014 and was updated by Conduent HR Services to take account of the requirements of FRS 102. Scheme assets are stated at their fair values at the respective balance sheet dates.

	Valuation at	
	2016	2015
Key assumptions used:		
Discount rate	2.55%	3.75%
RPI Inflation	3.35%	2.90%
CPI Inflation	2.35%	1.90%
Future pension increases	3.20%	2.85%

Mortality assumptions:

Investigations have been carried out within the past three years into the mortality experience of the Company's defined benefit schemes. These investigations concluded that the current mortality assumptions include sufficient allowance for future improvements in mortality rates. The assumed life expectations on retirement at age 65 are:

	Valuation at	
	2016 years	2015 years
Retiring today:		
Males	22.5	22.5
Females	24.7	24.6
Retiring in 20 years:		
Males	24.4	24.3
Females	26.3	26.2

Amounts recognised in the profit and loss account in respect of these defined benefit schemes are as follows:

	2016 £000	2015 £000
Net interest cost	(38)	59
Administration services	(54)	111
	<u>(92)</u>	<u>170</u>
(Losses)/gains recognised in other comprehensive income	(2,824)	253
Total (cost)/credit relating to defined benefit scheme	<u>(2,916)</u>	<u>423</u>

Crane Stockham Valve Limited

Notes to the financial statements

For the year ended 31 December 2016 (continued)

16. Employee benefits- *Defined benefit schemes (continued)*

The amount included in the balance sheet arising from the company's obligations in respect of its defined benefit retirement benefit schemes is as follows:

	2016 £000	2015 £000
Present value of defined benefit obligations	(19,449)	(15,496)
Fair value of scheme assets	15,721	14,324
Net liability recognised in the balance sheet	<u>(3,728)</u>	<u>(1,172)</u>

Movements in the present value of defined benefit obligations were as follows:

	2016 £000	2015 £000
At 1 January	15,496	15,970
Interest cost	563	534
Benefits paid	(961)	(489)
Actuarial (gains)/losses	4,351	(519)
At 31 December	<u>19,449</u>	<u>15,496</u>

Movements in the fair value of scheme assets were as follows:

	2016 £000	2015 £000
At 1 January	14,324	13,840
Interest income on scheme assets	525	475
Return on scheme assets in excess of interest income	1,527	(266)
Contributions from the employer	360	875
Benefits paid	(961)	(489)
Administration expenses	(54)	(111)
At 31 December	<u>15,721</u>	<u>14,324</u>

Crane Stockham Valve Limited

Notes to the financial statements

For the year ended 31 December 2016 (continued)

16. Employee benefits- *Defined benefit schemes (continued)*

The analysis of the scheme assets at the balance sheet date was as follows:

	Fair value of assets	
	2016	2015
	£000	£000
Equity instruments	10,778	9,939
Index Linked Gilts	3,055	2,809
Corporate Bonds	1,488	1,461
Other assets	400	115
	<u>15,721</u>	<u>14,324</u>

17. Contingent liabilities

Indemnities with varying expiration dates given to Banks with recourse to the company

	2016	2015
	£	£
National Westminster Bank PLC	<u>2,656,293</u>	<u>3,917,423</u>

18. Related party transactions

Crane Stockham Valve Limited is a qualifying entity under Financial Reporting Standard 102 and as a wholly-owned subsidiary has taken the exemption available from disclosing transactions between group members.

No additional transactions with related parties were undertaken as such as are required to be disclosed under Financial Reporting Standard 102.

19. Controlling party

The company's immediate parent company is Crane Limited, a company registered in England and Wales. Copies of the financial statements of Crane Limited are available from Companies House, Crown Way, Maindy, Cardiff CF14 3UZ.

The ultimate parent undertaking of the group, Crane Co, is incorporated in the United States of America and is the smallest and largest group into which the results of the company are consolidated. Copies of the financial statements of Crane Co are available from 100 First Stamford Place, Stamford, Connecticut.