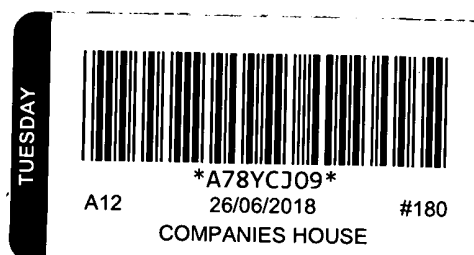


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**MILLS CNC LIMITED**

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**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**



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**MILLS CNC LIMITED**

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**COMPANY INFORMATION**

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<b>Directors</b>	A Attwood T Dale K Gilbert A Knight
<b>Company secretary</b>	Gateley Secretaries Limited
<b>Registered number</b>	01156673
<b>Registered office</b>	Units 2 & 3 Tachbrook Link Tachbrook Park Drive Leamington Spa Warwickshire CV34 6SN
<b>Independent auditor</b>	Grant Thornton UK LLP Chartered Accountants & Statutory Auditor The Colmore Building 20 Colmore Circus Birmingham West Midlands B4 6AT
<b>Bankers</b>	HSBC Bank Plc 120 Edmund Street Birmingham B3 2QZ

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**MILLS CNC LIMITED**

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## MILLS CNC LIMITED

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### STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

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#### Business review and future outlook

Mills CNC Limited ("Mills CNC") is the main operating company within the group, whose ultimate parent company is Ensco 1066 Limited.

The Company has established a very balanced portfolio of clients across a wide range of UK & Ireland manufacturing sectors.

At the heart of this success has been the Company's relentless determination to continually improve its customer service across all of its business and thereby capitalise on the already excellent market reputation.

The Company's expansion of facilities in previous years has provided the ability to be agile to its customer needs with a continuous emphasis on delivering the best technology, training, service and support.

The Company's dedicated Training Academy, situated on the Company's Technology Campus, continues to be a first class offering to customers, recognised by an MTA award.

Product innovation by our supplier, Doosan Machine Tools, continues to firmly place the machines that we sell as amongst the world's best, in their class.

Furthermore, Mills CNC is clearly recognised as one of the leading UK suppliers across many machine tool technology sectors (lathes, vertical machining centres, horizontal machining centres, 5-axis etc.) with an equal reputation in customer support, both pre and post-delivery.

The directors will continue to build upon the great progress to date to deliver even greater value for our customers and in turn success to our business.

As always, we owe the greatest thanks to our entire workforce, our customers and the team at Doosan, all of whom play a vital part in our achievements.

#### Financial key performance indicators

We consider that our key financial performance indicators are those that communicate the financial performance and strength of the Company, these being turnover and earnings before amortisation, depreciation, interest and tax; these are outlined in the Statement of comprehensive income on page 9.

Turnover at £44.8m was up from £34.9m in 2016 reflecting the strong order and delivery performance of the business. This was driven by a combination of improved market conditions but also its ability to diversify and build a balanced portfolio of clients in a broad range of manufacturing sectors across UK and Ireland.

The Company achieved earnings before amortisation, depreciation, interest and tax of £4.4m up from £1.7m in 2016. This was principally attained due to the increased turnover performance but also through improved economies of scale.

#### Going concern

The directors have prepared detailed cash flow forecasts which show that the Company has sufficient funds to support its activities and meet their liabilities as they fall due based on forecasted trading levels and that the funding is held for a period of at least 12 months from the date of signing these financial statements. As such, these financial statements have been prepared on a going concern basis.

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## MILLS CNC LIMITED

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### STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

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#### Principal risks and uncertainties

##### **The Impact of “Brexit”**

The Board acknowledge that there is a degree of uncertainty and concern on what form Brexit will take due to the relative lack of clarity coming from central government. The potential implications are far reaching and could affect both the businesses' suppliers and customers. Specifically, the issue of trading in the Republic of Ireland is of key immediate concern to the Board and a range of options are being fully assessed to ensure our continued strength in this market. As further details of the broader Brexit terms emerge, management will continue to assess the risks and opportunities and take action to mitigate any adverse impacts.

##### **Significant Key Supplier**

A significant majority of the Company's revenue is derived from the distribution of Doosan Machine Tools supplied by Doosan Machine Tools Co Ltd based in Korea. The Board acknowledges that should this relationship deteriorate or breakdown this could have a significant adverse effect on our business. However, this relationship is very strong based on its longevity (over 30 years), legal standing and above all cultural match ensuring both parties prosper.

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## MILLS CNC LIMITED

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### STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

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#### Financial risk management objectives and policies

##### Financial instrument risk

The Company's principal financial instruments comprise an import loan facility, cash and short-term deposits. The purpose of these financial instruments is to raise finance for the Company's operations. The Company has various other financial instruments such as trade debtors and trade creditors, which arise directly from its operations.

The main risks arising from the Company's financial instruments are liquidity risk, foreign currency risk, and credit risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below:

##### Liquidity risk

The Company seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. Specifically in 2017 the Company arranged new banking facilities with HSBC Bank Plc which has improved liquidity and the ability to invest in the future growth of the business.

Letters of credit, import loans and trade credit facilities are used to finance the purchase of CNC machines.

##### Foreign currency risk

The Company purchases CNC machines from Doosan Machine Tools based in Korea. In order to minimise the foreign currency risk with these transactions, Doosan invoices the Company in GBP.

##### Credit risk

The Company trades with only recognised, creditworthy, third parties. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit vetting procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Company's exposure to bad debts is not significant.

This report was approved by the board on 25 June 2018 and signed on its behalf.



**A Knight**  
Director

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## MILLS CNC LIMITED

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### DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

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

#### **Principal activity**

The Company is primarily involved in the marketing, distribution and after sales servicing of CNC machine tools and is recognised as a market leader within this sector.

#### **Results and dividends**

The profit for the year, after taxation, amounted to £3,001,752 (2016 - £1,184,979).

The Company paid a dividend of £5,000,000 (2016: £3,000,000) during the year.

#### **Directors**

The directors who served during the year were:

N White (resigned 31 March 2017)  
A Attwood  
T Dale  
K Gilbert  
A Knight

#### **Qualifying third party indemnity provisions**

During the year ended 31 December 2017 and at the date of this report, the Company has made an indemnity for the benefit of the statutory directors which is a qualifying indemnity provision for the purposes of Section 234 of the Companies Act 2006.

#### **Matters covered in the strategic report**

The Business review and the Financial risk management objectives and policies have been covered within the Strategic report.

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## MILLS CNC LIMITED

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### DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

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#### Directors' responsibilities statement

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 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 and 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;
- 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 to 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.

#### Post balance sheet events

There have been no significant events affecting the Company since the year end.

#### Disclosure of information to auditor

Each of the persons who are directors at the time when this Directors' report is approved has confirmed 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 ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

#### Auditor

The auditor, Grant Thornton UK LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 25 June 2018 and signed on its behalf.



**A Knight**  
Director





## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MILLS CNC LIMITED

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### Opinion

We have audited the financial statements of Mills CNC Limited (the 'Company') for the year ended 31 December 2017, which comprise the Statement of comprehensive income, the Statement of financial position, the Statement of changes in equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.



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## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MILLS CNC LIMITED (CONTINUED)**

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### **Other information**

The directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our Auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

### **Opinions on other matters prescribed by the Companies Act 2006**

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

### **Matter on which we are required to report by the Companies Act 2006**

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 material misstatements in the Strategic report or the Directors' report.

### **Matters on which we are required to report by exception**

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

- adequate accounting records have not been kept, 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.



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## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MILLS CNC LIMITED (CONTINUED)

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### Responsibilities of directors for the financial statements

As explained more fully in the Directors' responsibilities statement on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

### Auditors' responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our Auditor's report.



John Coates (Senior statutory auditor)

for and on behalf of

**Grant Thornton UK LLP**

Chartered Accountants

Statutory Auditor

Birmingham

25 June 2018

**MILLS CNC LIMITED**

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2017**

	Note	2017 £	2016 £
Turnover	4	44,827,909	34,907,103
Cost of sales		(30,686,126)	(24,784,472)
<b>Gross profit</b>		<b>14,141,783</b>	10,122,631
Distribution costs		(415,374)	(534,374)
Administrative expenses		(9,463,335)	(8,075,043)
<b>Operating profit</b>	5	<b>4,263,074</b>	1,513,214
Interest receivable and similar income	8	-	957
Interest payable and similar expenses	9	(665,810)	(308,559)
<b>Profit before tax</b>		<b>3,597,264</b>	1,205,612
Tax charge on profit	10	(595,512)	(20,633)
<b>Profit for the financial year</b>		<b>3,001,752</b>	1,184,979
<b>Total comprehensive income for the year</b>		<b>3,001,752</b>	1,184,979

There was no other comprehensive income for 2017 (2016: £nil).

All amounts relate to continuing operations.

The notes on pages 12 to 28 form part of these financial statements.

**MILLS CNC LIMITED**  
**REGISTERED NUMBER:01156673**

**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2017**

	Note	2017 £	2016 £
<b>Fixed assets</b>			
Tangible assets	12	311,947	363,888
<b>Current assets</b>			
Stocks	13	10,517,583	11,019,994
Debtors: amounts falling due within one year	14	20,125,170	19,368,974
Cash at bank and in hand	15	1,228,818	1,515
		<u>31,871,571</u>	<u>30,390,483</u>
Creditors: amounts falling due within one year	16	(18,833,307)	(15,567,281)
<b>Net current assets</b>		<u>13,038,264</u>	<u>14,823,202</u>
<b>Total assets less current liabilities</b>		<u>13,350,211</u>	<u>15,187,090</u>
<b>Provisions for liabilities</b>			
Other provisions	19	(1,709,807)	(1,548,438)
		<u>(1,709,807)</u>	<u>(1,548,438)</u>
<b>Net assets</b>		<u><u>11,640,404</u></u>	<u><u>13,638,652</u></u>
<b>Capital and reserves</b>			
Called up share capital	20	212,600	212,600
Profit and loss account	21	11,427,804	13,426,052
		<u><u>11,640,404</u></u>	<u><u>13,638,652</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 25 June 2018.



**A Knight**

Director

The notes on pages 12 to 28 form part of these financial statements.

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**MILLS CNC LIMITED**

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**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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	<b>Called up share capital</b>	<b>Profit and loss account</b>	<b>Total equity</b>
	<b>£</b>	<b>£</b>	<b>£</b>
<b>At 1 January 2016</b>	<b>212,600</b>	<b>15,241,073</b>	<b>15,453,673</b>
<b>Comprehensive income for the year</b>			
Profit for the year	-	<b>1,184,979</b>	<b>1,184,979</b>
Dividends paid	-	<b>(3,000,000)</b>	<b>(3,000,000)</b>
<b>Total transactions with owners</b>	<b>-</b>	<b>(3,000,000)</b>	<b>(3,000,000)</b>
<b>At 1 January 2017</b>	<b>212,600</b>	<b>13,426,052</b>	<b>13,638,652</b>
<b>Comprehensive income for the year</b>			
Profit for the year	-	<b>3,001,752</b>	<b>3,001,752</b>
Dividends paid	-	<b>(5,000,000)</b>	<b>(5,000,000)</b>
<b>Total transactions with owners</b>	<b>-</b>	<b>(5,000,000)</b>	<b>(5,000,000)</b>
<b>At 31 December 2017</b>	<b>212,600</b>	<b>11,427,804</b>	<b>11,640,404</b>

The notes on pages 12 to 28 form part of these financial statements.

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## MILLS CNC LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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#### 1. General information

Mills CNC Limited is a limited liability company incorporated in England and Wales. The registered office address is Units 2 & 3 Tachbrook Link, Tachbrook Park Drive, Leamington Spa, Warwickshire, England, CV34 6SN.

#### 2. Accounting policies

##### 2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied:

##### 2.2 Financial reporting standard 102 - reduced disclosure exemptions

The Company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Ensco 1066 Limited as at 31 December 2017 and these financial statements may be obtained from Companies House.

##### 2.3 Going concern

The directors have prepared detailed cash flow forecasts which show that the Company has sufficient funds to support its activities and meet their liabilities as they fall due based on forecasted trading levels and that the funding is held for a period of at least 12 months from the date of signing these financial statements. As such, these financial statements have been prepared on a going concern basis.

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## MILLS CNC LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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#### 2. Accounting policies (continued)

##### 2.4 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

##### **Sale of goods**

Machine sales are accounted for upon delivery of the machine to the customer or the date title passes to the customer if earlier.

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the transaction;
- the costs incurred or to be incurred in respect of the transaction can be measured reliably; and
- the Company has transferred the significant risks and rewards of ownership to the buyer

##### **Rendering of services**

Income relating to service and maintenance contracts is recognised when the activity takes place and the work is completed. Turnover in respect of services is recognised when the service has been provided in full.

Revenue from a contract to provide services is recognised in the period in which the services are provided when the amount of revenue can be measured reliably and it is probable that the Company will receive the consideration due under the contract.



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## MILLS CNC LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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## 2. Accounting policies (continued)

### 2.5 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Plant, machinery, and motor vehicles	- 3 - 10 years
Fixtures & fittings	- 3 - 10 years
Leasehold improvements	- 3 - 10 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of comprehensive income.

### 2.6 Operating leases

Rentals paid under operating leases are charged to the statement of comprehensive income on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the period of the lease.

### 2.7 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

At each reporting date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

### 2.8 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

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## MILLS CNC LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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## 2. Accounting policies (continued)

### 2.9 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

### 2.10 Financial instruments

The Company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable, loans from banks and other third parties and loans to related parties.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at the present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of comprehensive income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the Statement of financial position date.

Financial assets and liabilities are offset and the net amount reported in the Statement of financial position when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

### 2.11 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

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## MILLS CNC LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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## 2. Accounting policies (continued)

### 2.12 Foreign currency translation

#### Functional and presentation currency

The Company's functional and presentational currency is GBP.

#### Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of comprehensive income except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of comprehensive income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Statement of comprehensive income within 'administrative expenses'.

### 2.13 Finance costs

Finance costs are charged to the Statement of comprehensive income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

### 2.14 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting. Dividends on shares recognised as liabilities are recognised as expenses and classified within interest payable.

### 2.15 Pensions

#### Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in the Statement of comprehensive income when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of financial position. The assets of the plan are held separately from the Company in independently administered funds.

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## MILLS CNC LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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#### 2. Accounting policies (continued)

##### 2.16 Interest income

Interest income is recognised in the Statement of comprehensive income using the effective interest method.

##### 2.17 Borrowing costs

All borrowing costs are recognised in the Statement of comprehensive income in the year in which they are incurred.

##### 2.18 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Statement of comprehensive income in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Statement of financial position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of financial position.

##### 2.19 Warranties for goods sold

Provision is made for the estimated liability relating to all goods sold still under warranty, including claims already received. Where parts are provided by the machine manufacturer free of charge the provision covers the cost of the labour element only. The value of the provision needed is determined by considering the cost of the labour used historically during the warranty period on machines of a similar type.

Where specific claims have been received that are outside of the warranty terms, but for which the Company has an obligation to rectify a problem, then a rectification provision is made based on the best estimate of the costs involved.

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## MILLS CNC LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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#### 2. Accounting policies (continued)

##### 2.20 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of comprehensive income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of financial position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

#### 3. Judgements in applying accounting policies and key sources of estimation uncertainty

The preparation of the financial statements requires management to make significant judgements and estimates. The items in the financial statements where these judgements have been made include:

##### **Stock provisions**

Management considers the year end stock quantities on a line by line basis including: the age of that stock, the usage over the last 12 months and orders in hand, in order to assess the level of provision required.

##### **Debtor provisions**

Management considers the age of the debtor compared to credit terms made available and any other factors which may prevent full payment, and include provisions accordingly.

##### **Warranty provisions**

Management assesses the need for warranty provisions based on the number and value of machines still under warranty, the warranty period remaining, and historical levels of warranty costs for similar machines and customers.

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**MILLS CNC LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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**4. Turnover**

	2017 £	2016 £
Machine and part sales	42,878,869	33,147,588
Service contract income	1,949,040	1,759,515
	<u>44,827,909</u>	<u>34,907,103</u>

Analysis of turnover by country of destination:

	2017 £	2016 £
United Kingdom	41,685,114	31,353,463
Rest of Europe	3,142,795	3,552,635
Rest of the world	-	1,005
	<u>44,827,909</u>	<u>34,907,103</u>

**5. Operating profit**

The operating profit is stated after charging:

	2017 £	2016 £
Depreciation of tangible fixed assets (note 12)	142,605	232,896
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	18,000	17,750
Exchange differences	181	458
Operating lease rentals	860,324	785,502
Defined contribution pension cost (note 6)	664,822	580,137

Fees payable to the Company's auditors in respect of non-audit services have been included in the disclosures of the consolidated financial statements for the year ended 31 December 2017 of the ultimate parent undertaking, Ensco 1066 Limited, as required by the Companies Act 2006.

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**MILLS CNC LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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**6. Employees**

Staff costs, including directors' remuneration, were as follows:

	2017 £	2016 £
Wages and salaries	5,127,066	4,264,520
Social security costs	675,803	560,091
Pension costs (note 23)	664,822	580,137
	<u>6,467,691</u>	<u>5,404,748</u>

The average monthly number of employees, including the directors, during the year was as follows:

	2017 No.	2016 No.
Operational staff	58	58
Finance and administrative staff	8	7
Directors	4	5
Sales and marketing staff	21	20
	<u>91</u>	<u>90</u>

**7. Directors' remuneration**

	2017 £	2016 £
Directors' emoluments	811,516	588,243
Company contributions to defined contribution pension schemes	132,296	59,359
	<u>943,812</u>	<u>647,602</u>

During the year retirement benefits were accruing to 5 directors (2016 - 5) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £261,949 (2016 - £153,490).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £29,517 (2016 - £16,375).

Directors' emoluments include benefits in kind of £70,282 (2016: 78,593) in the year.

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**MILLS CNC LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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**8. Interest receivable and similar income**

	<b>2017 £</b>	<b>2016 £</b>
Other interest receivable	-	957
	<u>          </u>	<u>          </u>

**9. Interest payable and similar expenses**

	<b>2017 £</b>	<b>2016 £</b>
Other loan interest payable	<b>665,810</b>	308,559
	<u>          </u>	<u>          </u>

**10. Taxation**

	<b>2017 £</b>	<b>2016 £</b>
<b>Corporation tax</b>		
Current tax on profits for the year	<b>512,695</b>	119,557
Adjustments in respect of previous periods	<b>(1,841)</b>	(2,924)
	<u>510,854</u>	<u>116,633</u>
<b>Total current tax charge</b>	<u><b>510,854</b></u>	<u>116,633</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	<b>84,658</b>	(96,000)
<b>Total deferred tax charge/(credit)</b>	<u><b>84,658</b></u>	<u>(96,000)</u>
<b>Taxation charge on profit on ordinary activities</b>	<u><u><b>595,512</b></u></u>	<u><u>20,633</u></u>



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**MILLS CNC LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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**10. Taxation (continued)**

**Factors affecting tax charge for the year**

The tax assessed for the year is lower than (2016 - lower than) the standard rate of corporation tax in the UK of 19.25% (2016 - 20%). The differences are explained below:

	2017 £	2016 £
Profit on ordinary activities before tax	<u>3,597,264</u>	<u>1,205,612</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.25% (2016 - 20%)	692,473	241,122
<b>Effects of:</b>		
Fixed asset differences	3,365	19,720
Expenses not deductible for tax purposes	13,523	11,244
Adjustments to tax charge in respect of prior periods	(1,841)	(2,925)
Research and development tax credit	(134,726)	(140,000)
Amounts credited directly to equity	114,698	-
Remeasurement of deferred tax to average rate	(11,238)	-
Group relief claimed	(81,294)	(75,337)
Deferred tax not recognised	552	(46,635)
Change in tax rates	-	13,444
<b>Total tax charge for the year</b>	<u><u>595,512</u></u>	<u><u>20,633</u></u>

**Factors that may affect future tax charges**

Following substantive enactment in 2015, the main rate of corporation tax will reduce from 19% (effective 1 April 2017) to 17% (effective 1 April 2020). This will impact the Group's future tax charges accordingly.

**11. Dividends**

	2017 £	2016 £
Dividends paid on ordinary shares	<u><u>5,000,000</u></u>	<u><u>3,000,000</u></u>

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**MILLS CNC LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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**12. Tangible fixed assets**

	Plant, machinery and motor vehicles £	Fixtures and fittings £	Leasehold improvements £	Total £
<b>Cost</b>				
At 1 January 2017	1,528,024	321,186	787,307	2,636,517
Additions	80,198	4,241	6,225	90,664
At 31 December 2017	<u>1,608,222</u>	<u>325,427</u>	<u>793,532</u>	<u>2,727,181</u>
<b>Depreciation</b>				
At 1 January 2017	1,275,666	313,850	683,113	2,272,629
Charge for the year	90,165	6,380	46,060	142,605
At 31 December 2017	<u>1,365,831</u>	<u>320,230</u>	<u>729,173</u>	<u>2,415,234</u>
<b>Net book value</b>				
At 31 December 2017	<u>242,391</u>	<u>5,197</u>	<u>64,359</u>	<u>311,947</u>
At 31 December 2016	<u>252,358</u>	<u>7,336</u>	<u>104,194</u>	<u>363,888</u>

**13. Stocks**

	2017 £	2016 £
Parts stock	1,295,937	1,196,929
Machine stock	9,221,646	9,823,065
	<u>10,517,583</u>	<u>11,019,994</u>

Stock recognised in cost of sales during the year as an expense was £27,427,052 (2016: £23,309,772).

An impairment loss of £92,000 (2016: £87,017) was recognised in cost of sales against stock during the year due to slow-moving and obsolete stock.

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**MILLS CNC LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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**14. Debtors**

	<b>2017</b>	<b>2016</b>
	<b>£</b>	<b>£</b>
Trade debtors	<b>6,592,872</b>	3,203,340
Amounts owed by group undertakings (restated)	<b>12,964,529</b>	15,469,973
Other debtors	<b>17,410</b>	19,238
Prepayments and accrued income	<b>518,017</b>	552,154
Tax recoverable	-	7,269
Deferred taxation	<b>32,342</b>	117,000
	<b>20,125,170</b>	19,368,974

A debit of £44,574 (2016: credit £83) was recognised in administration expenses against trade debtors during the year as a result of an increase in the bad debt provision.

Amounts owed by group undertakings are unsecured and are repayable on demand. No interest is charged on these amounts as they are trading balances with no fixed term of repayment.

The directors have made the decision to reclassify an accrual that has previously been recognised by the Company of £883,152 (2016: £595,941), relating to a future payment due to be paid to employees in the employee benefit trust scheme, to parent company Ensco 1066 Limited during the year. Amounts owed by group undertakings has been restated in the comparative period.

**15. Cash and cash equivalents**

	<b>2017</b>	<b>2016</b>
	<b>£</b>	<b>£</b>
Cash at bank and in hand	<b>1,228,818</b>	1,515
Less: bank overdrafts	<b>(2)</b>	(85,454)
	<b>1,228,816</b>	(83,939)

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MILLS CNC LIMITED

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017

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16. Creditors: Amounts falling due within one year

	2017 £	2016 £
Bank overdrafts	2	85,454
Other loans	-	475,377
Trade creditors	12,147,782	11,794,193
Amounts owed to group undertakings	770,305	694,544
Corporation tax	242,758	-
Other taxation and social security	1,198,326	332,827
Other creditors	129,011	154,363
Accruals and deferred income (restated)	4,345,123	2,030,523
	<u>18,833,307</u>	<u>15,567,281</u>

HSBC Bank PLC hold a debenture dated 5 September 2017 over the Company in respect of all monies due or to become due from the Company to the bank.

Amounts owed to group undertakings are unsecured and are repayable on demand. No interest is charged on these amounts as they are trading balances with no fixed term of repayment.

The directors have made the decision to reclassify an accrual that has previously been recognised by the Company of £883,152 (2016: £595,941), relating to a future payment due to be paid to employees in the employee benefit trust scheme, to parent company Ensco 1066 Limited during the year. Accruals and deferred income has been restated in the comparative period.

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**MILLS CNC LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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**17. Financial instruments**

	2017 £	2016 £
<b>Financial assets</b>		
Cash and cash equivalents	1,228,818	1,515
Financial assets measured at amortised cost	19,574,811	18,692,551
	<u>20,803,629</u>	<u>18,694,066</u>
<b>Financial liabilities</b>		
Financial liabilities measured at amortised cost	<u>(15,708,015)</u>	<u>(15,319,050)</u>

Cash and cash equivalents comprise cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours.

Financial assets measured at amortised cost comprise trade debtors, other debtors and amounts owed by group undertakings.

Financial liabilities measured at amortised cost comprise bank overdrafts, other loans, trade creditors, amounts owed to group undertakings, other creditors and accruals.

**18. Deferred taxation**

	2017 £
At beginning of year	117,000
Charged to the statement of comprehensive income	(84,658)
<b>At end of year</b>	<u>32,342</u>

The deferred tax asset is made up as follows:

	2017 £
Accelerated capital allowances	(21,428)
Short term timing differences	53,770
	<u>32,342</u>

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**MILLS CNC LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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**19. Provisions**

	<b>Provision £</b>	<b>Dilapidations provision £</b>	<b>Total £</b>
At 1 January 2017	<b>1,348,438</b>	<b>200,000</b>	<b>1,548,438</b>
Charged to statement of comprehensive income	<b>114,869</b>	<b>46,500</b>	<b>161,369</b>
<b>At 31 December 2017</b>	<b>1,463,307</b>	<b>246,500</b>	<b>1,709,807</b>

Warranty provisions are based on projected costs to fulfil warranty obligations. The warranty period varies from one to six years. The rectification element of the provision allows for work needed relating to specific machines, as notified to the company by customers, that are not covered by the normal warranty terms.

The dilapidations provision is based on projected costs to fulfil lease obligations.

**20. Share capital**

	<b>2017 £</b>	<b>2016 £</b>
<b>Allotted, called up and fully paid</b>		
212,600 Ordinary shares of £1 each	<b>212,600</b>	<b>212,600</b>

**21. Reserves**

**Profit & loss account**

Comprises all accumulated current and prior period retained profits and losses, net of dividends paid.

**22. Contingent liabilities**

The Company has entered into an unlimited guarantee in respect of bank loans and overdrafts with other companies in the group. At the year end the facility was £4,031,156 (2016: £5,653,228).

The Company has outstanding letters of credit in favour of its suppliers amounting to £nil (2016: £6,878,942).

The Company also has bank guarantees in place at the year end of £451,350 (2016: nil) and import loans outstanding at the year end of £3,722,283 (2016: £nil).

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## MILLS CNC LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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#### 23. Pension commitments

The Company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to £664,822 (2016: £580,137). Contributions totalling £69,795 (2016: £42,248) were payable to the fund at the Statement of financial position date.

#### 24. Commitments under operating leases

At 31 December 2017 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2017 £	2016 £
<b>Land and buildings</b>		
Not later than 1 year	324,404	263,729
Later than 1 year and not later than 5 years	1,297,616	1,113,520
Later than 5 years	872,979	419,234
	<u>2,494,999</u>	<u>1,796,483</u>
	2017 £	2016 £
<b>Other</b>		
Not later than 1 year	483,789	384,861
Later than 1 year and not later than 5 years	523,012	323,717
	<u>1,006,801</u>	<u>708,578</u>

#### 25. Related party transactions

The Company has taken advantage of the exemptions contained within FRS 102 section 33 from the disclosures relating to transactions with other wholly owned group companies.

#### 26. Ultimate parent undertaking and controlling party

The Company is a wholly owned subsidiary of Ensco 1066 Limited.

The parent undertaking of the largest and smallest group for which consolidated accounts are prepared is Ensco 1066 Limited. Consolidated accounts are available from The Secretary, Ensco 1066 Limited, Units 2 & 3 Tachbrook Link, Tachbrook Park Drive, Leamington Spa, Warwickshire, CV34 6SN.

In the opinion of the directors, this is the Company's ultimate parent company and the ultimate controlling party.