

Registered number: 01284029

**Garrandale Limited**

Directors' Report and Financial Statements

For the Year Ended 28 February 2017

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COMPANIES HOUSE

**DAINS**  
ACCOUNTANTS

**Garrandale Limited**

**Company Information**

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**Directors**  
J S Foxcroft (resigned 15 April 2016)  
Mrs M A Foxcroft (resigned 15 April 2016)  
M J Prentice  
S Rowley  
T J Brown (appointed 15 April 2016)  
A Millington (resigned 10 February 2017)  
Mrs C Prentice (resigned 15 April 2016)  
A Shaw (appointed 9 January 2017)

**Registered number** 01284029

**Registered office**  
Alfreton Road  
Derby  
Derbyshire  
DE21 4AP

**Independent auditors**  
Dains LLP  
Charlotte House  
Stanier Way  
The Wyvern Business Park  
Derby  
DE21 6BF

**Bankers**  
Santander  
5 Market Place  
Derby  
Derbyshire  
DE1 3PY

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### **Business review and future outlook**

Under its new management team the company has recorded a very positive year with stable revenue and a return to profit after absorbing the costs of restructuring to significantly reduce fixed costs and improve focus on and performance in specific market sectors. The balance sheet has strengthened to almost £2m and we start 2017-18 with a very strong order book stretching well into 2018-19.

Plans to split the business into 3 distinct trading entities are well advanced and further improvements in revenue and profit are forecast to flow on completion of the restructure by the end of 2017-18 financial year.

The company is actively expanding its offering in specialist rail depot equipment by working in collaboration with other well established businesses who can provide complimentary products.

Operation of the companies Derby manufacturing facility has been re-focused to a batch production operation providing goods for a reduced but proven customer base. Disruptions inherent with jobbing shop style operation have been all but eliminated substantially reducing the risk of late and/or over cost delivery and improving profitability.

The directors are confident that through the course of next year the company will build on the very positive progress made over the previous year to further strengthen its balance sheet.

### **Principal risks and uncertainties**

The company operates the following risk management policies

#### **Exchange rate risk**

The company sells to and purchases goods from companies overseas and is therefore exposed to movements in exchange rates that occur between the date of delivery and settlement. The company seeks to mitigate this risk by operating foreign currency bank accounts and seeking to match payment and receipts in the same currency.

#### **Credit risk**

Credit risk arises on assets such as trade debtors. Policies and procedures exist to ensure that the trade debtors have an appropriate credit history before credit is granted.

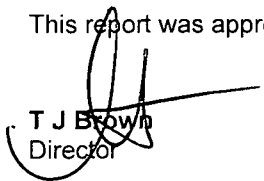
#### **Liquidity risk**

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the company uses a mixture of long-term and short-term debt finance.

### **Financial key performance indicators**

The directors consider the key performance indicator of the business is gross margin. The board are pleased with the performance of the company when measured against this indicator.

This report was approved by the board on 24 May 2017 and signed on its behalf.

  
T J Brown  
Director

## **Garrandale Limited**

### **Directors' Report For the Year Ended 28 February 2017**

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The directors present their report and the financial statements for the year ended 28 February 2017.

#### **Principal activity**

The principal activity of the company in the year continued to be that of engineering, design and general manufacturing.

#### **Results and dividends**

The profit for the year, after taxation, amounted to £146,172 (2016 - loss £370,842).

No dividends were paid or proposed during the year (2015 - £nil).

#### **Directors**

The directors who served during the year were:

J S Foxcroft (resigned 15 April 2016)  
Mrs M A Foxcroft (resigned 15 April 2016)  
M J Prentice  
S Rowley  
T J Brown (appointed 15 April 2016)  
A Millington (resigned 10 February 2017)  
Mrs C Prentice (resigned 15 April 2016)  
A Shaw (appointed 9 January 2017)

#### **Future developments**

Details of future developments and events that have occurred after the balance sheet date can be found in the Strategic Report and notes to these financial statements.

#### **Disclosure of information to auditors**

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 auditors are 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 auditors are aware of that information.

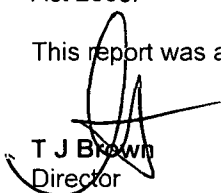
#### **Post balance sheet events**

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

#### **Auditors**

The auditors, Dains LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 24 May 2017 and signed on its behalf.

  
T J Brown  
Director

**Directors' Responsibilities Statement  
For the Year Ended 28 February 2017**

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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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 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 for the Company's financial statements and then apply them consistently;
- make judgments 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements and other information included in Directors' Reports may differ from legislation in other jurisdictions.

**Independent Auditors' Report to the Members of Garrandale Limited**

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We have audited the financial statements of Garrandale Limited for the year ended 28 February 2017, set out on pages 6 to 26. The financial reporting framework that has been applied in their preparation is applicable law including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', and the United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 Auditors' 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 Auditors**

As explained more fully in the Directors' Responsibilities Statement on page 3, 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 Financial Reporting Council'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 Strategic Report and the Directors' 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 28 February 2017 and of its profit or 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 those financial statements and such reports have been prepared in accordance with applicable legal requirements.

In the light of our 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 and the Directors' Report.

Independent Auditors' Report to the Members of Garrandale Limited (continued)

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**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, 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.



Mark Hargate FCA (Senior Statutory Auditor)

for and on behalf of  
**Dains LLP**

Statutory Auditor  
Chartered Accountants

Charlotte House, Derby

24 May 2017



**Garrandale Limited****Profit and Loss Account  
For the Year Ended 28 February 2017**

	Note	2017 £	2016 £
Turnover	4	12,009,326	13,388,988
Cost of sales		(8,021,085)	(8,809,828)
<b>Gross profit</b>		<b>3,988,241</b>	<b>4,579,160</b>
Distribution costs		(532,625)	(694,886)
Administrative expenses		(3,215,848)	(4,203,248)
<b>Operating profit/(loss)</b>	5	<b>239,768</b>	<b>(318,974)</b>
Interest payable and similar charges	8	(117,143)	(120,281)
<b>Profit/(loss) before tax</b>		<b>122,625</b>	<b>(439,255)</b>
Tax on profit/(loss)	9	23,547	68,413
<b>Profit/(loss) for the year</b>		<b>146,172</b>	<b>(370,842)</b>

The notes on pages 10 to 26 form part of these financial statements.

**Garrandale Limited**

**Statement of Comprehensive Income  
For the Year Ended 28 February 2017**

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	Note	2017 £	2016 £
Profit/(loss) for the financial year		<u>146,172</u>	<u>(370,842)</u>
Other comprehensive income		<u>                    </u>	<u>                    </u>
Total comprehensive income for the year		<u><u>146,172</u></u>	<u><u>(370,842)</u></u>

**Garrandale Limited**  
**Registered number:01284029**

**Balance Sheet**  
**As at 28 February 2017**

	Note	2017 £	2017 £	2016 £	2016 £
<b>Fixed assets</b>					
Intangible assets	10		-		105,490
Tangible assets	11		2,130,954		2,359,616
Investments	12		-		36,717
			<u>2,130,954</u>		<u>2,501,823</u>
<b>Current assets</b>					
Stocks	13	177,374		343,051	
Debtors	14	3,593,750		3,431,985	
Cash at bank and in hand	15	18,482		141,791	
		<u>3,789,606</u>		<u>3,916,827</u>	
Creditors: amounts falling due within one year	16	(3,247,937)		(3,827,762)	
<b>Net current assets</b>			<u>541,669</u>		<u>89,065</u>
<b>Total assets less current liabilities</b>			<u>2,672,623</u>		<u>2,590,888</u>
Creditors: amounts falling due after more than one year	17		(645,184)		(750,312)
<b>Provisions for liabilities</b>					
Deferred tax	21	(60,805)		(20,114)	
			<u>(60,805)</u>		<u>(20,114)</u>
<b>Net assets</b>			<u><u>1,966,634</u></u>		<u><u>1,820,462</u></u>
<b>Capital and reserves</b>					
Called up share capital	22		15,098		15,098
Revaluation reserve	23		329,325		334,139
Profit and loss account	23		1,622,211		1,471,225
			<u><u>1,966,634</u></u>		<u><u>1,820,462</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 24 May 2017.

  
T. J. Brown  
Director

The notes on pages 10 to 26 form part of these financial statements.

Garrandale Limited

Statement of Changes in Equity  
For the Year Ended 28 February 2017

	Called up share capital £	Revaluation reserve £	Profit and loss account £	Total equity £
<b>At 1 March 2015</b>	<b>15,098</b>	<b>338,953</b>	<b>1,837,253</b>	<b>2,191,304</b>
<b>Comprehensive income for the year</b>				
Loss for the year	-	-	(370,842)	(370,842)
Transfer of excess depreciation held in revaluation reserve	-	(4,814)	4,814	-
<b>At 29 February 2016</b>	<b>15,098</b>	<b>334,139</b>	<b>1,471,225</b>	<b>1,820,462</b>
<b>Comprehensive income for the year</b>				
Profit for the year	-	-	146,172	146,172
Transfer of excess depreciation held in revaluation reserve	-	(4,814)	4,814	-
<b>At 28 February 2017</b>	<b>15,098</b>	<b>329,325</b>	<b>1,622,211</b>	<b>1,966,634</b>

**Notes to the Financial Statements  
For the Year Ended 28 February 2017**

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**1. General information**

Garrandale Limited is a company incorporated in England and Wales under the Companies Act. The address of the registered office is given on the Company information page. The nature of the company's operations and its principal activities are set out in the Strategic Report.

**2. Accounting policies**

**2.1 Basis of preparation of financial statements**

The financial statements have been prepared under the historical cost convention as modified by the revaluation of freehold property 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 judgment in applying the Company's accounting policies (see note 3).

The company is itself a subsidiary company and is exempt from the requirement to prepare group accounts by virtue of section 400 of the Companies Act 2006. These financial statements therefore present information about the company as an individual undertaking and not about its group.

The following principal accounting policies have been applied:

**2.2 Cash flow**

The company is a wholly owned subsidiary whose results have been included within the consolidated financial statements. These consolidated financial statements are publicly available, therefore the company is exempt from the requirement to draw up a cash flow statement in accordance with Financial Reporting Standard 102.

**Notes to the Financial Statements  
For the Year Ended 28 February 2017**

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**2. Accounting policies (continued)**

**2.3 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**

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

- the Company has transferred the significant risks and rewards of ownership to the buyer;
- 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; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

**Rendering of services**

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

**2.4 Intangible assets**

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

Other intangibles are amortised on a straight line basis to the profit and loss account over their useful economic life.

**Notes to the Financial Statements  
For the Year Ended 28 February 2017**

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**2. Accounting policies (continued)**

**2.5 Research and development**

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred. Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured. The capitalised development costs are subsequently amortised on a straight line basis over their useful economic lives, which range from 3 to 6 years.

If it is not possible to distinguish between the research phase and the development phase of an internal project, the expenditure is treated as if it were all incurred in the research phase only.

**2.6 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, on a straight line or reducing balance method.

Depreciation is provided on the following basis:

Freehold property	-	2% straight line
Plant and machinery	-	10% reducing balance
Motor vehicles	-	25% reducing balance
Fixtures and fittings	-	15% reducing balance
Computer equipment	-	25% straight line

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 profit and loss account.

**2.7 Operating leases: the Company as lessee**

Rentals paid under operating leases are charged to the Profit and Loss Account on a straight line basis over the lease term.

**2.8 Valuation of investments**

Investments in subsidiaries are measured at cost less accumulated impairment. Where merger relief is applicable, the cost of the investment in a subsidiary undertaking is measured at the nominal value of the shares issued together with the fair value of any additional consideration paid.

**Notes to the Financial Statements  
For the Year Ended 28 February 2017**

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**2. Accounting policies (continued)**

**2.9 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 balance sheet 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.

**2.10 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.

**2.11 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.

**2.12 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, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at 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.

**2.13 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.

**2.14 Finance costs**

Finance costs are charged to the profit and loss account 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. Accounting policies (continued)**

**2.15 Leased assets: the Company as lessee**

Assets obtained under hire purchase contract and finance leases are capitalised as tangible fixed assets. Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives. Assets acquired by hire purchase are depreciated over their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the company. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the Company so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

**2.16 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 profit and loss account when they fall due. Amounts not paid are shown in accruals as a liability in the balance sheet. The assets of the plan are held separately from the Company in independently administered funds.

**2.17 Holiday pay accrual**

A liability is recognised to the extent of any unused holiday pay entitlement which is accrued at the balance sheet date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the balance sheet date.

**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 profit and loss account in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the balance sheet 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 balance sheet.

**Notes to the Financial Statements  
For the Year Ended 28 February 2017**

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**2. Accounting policies (continued)**

**2.19 Current and deferred taxation**

The tax expense for the year comprises current and deferred tax. Tax is recognised in the profit and loss account, 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 balance sheet 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 balance sheet 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 balance sheet date.

**3. Judgments in applying accounting policies and key sources of estimation uncertainty**

In the application of the Company's accounting policies, which are described in note 2, 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 revision and future periods if the revision affects both current and future periods.

*Long term contracts and Work In hand calculations*

Profit on long-term contracts is taken as the work is carried out if the final outcome can be assessed with reasonable certainty. The profit included is calculated on a prudent basis to reflect the proportion of the work carried out at the year end based upon the estimated total costs to complete the contract. Estimated revenues at completion are adjusted for contract terms that provide for adjustments of prices. Estimated contract costs include all foreseen materials and labour, along with an estimation of anticipated warranty work based on historic performance trends. Management estimate the likely outcome of all contracts and review this on a regular basis with full provision being made for losses on all contracts in the year in which they are first foreseen.

*Depreciation and residual values*

The Directors have reviewed the asset lives and associated residual values of all fixed asset classes, and have concluded the estimations are appropriate.

**Notes to the Financial Statements  
For the Year Ended 28 February 2017**

**4. Turnover**

The whole of the turnover is attributable to the principal activity of the company.

Analysis of turnover by country of destination:

	2017 £	2016 £
United Kingdom	11,083,455	13,252,470
Rest of Europe	77,236	136,518
Rest of the world	848,635	-
	<u>12,009,326</u>	<u>13,388,988</u>

**5. Operating profit**

The operating profit is stated after charging:

	2017 £	2016 £
Depreciation of tangible fixed assets	247,816	202,921
Amortisation of intangible assets, including goodwill	105,490	74,107
Other operating lease rentals	171,559	97,211
Motor vehicle lease rentals	161,398	212,793
	<u>686,263</u>	<u>587,032</u>

**Notes to the Financial Statements  
For the Year Ended 28 February 2017**

**6. Employees**

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

	2017 £	2016 £
Wages and salaries	2,389,880	3,056,886
National insurance	237,781	305,799
Class 1A national insurance	20,671	17,471
Cost of defined contribution scheme	40,743	56,881
	<u>2,689,075</u>	<u>3,437,037</u>

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

	2017 No.	2016 No.
Production & Site Engineers	43	40
Sales & Project Engineers	15	23
Admin & Support	14	21
Directors	4	6
	<u>76</u>	<u>90</u>

**7. Directors' remuneration**

	2017 £	2016 £
Directors' emoluments	308,607	285,927
Company contributions to defined contribution pension schemes	10,771	9,600
Amounts paid to third parties in respect of directors' services	125,000	-
	<u>444,378</u>	<u>295,527</u>

During the year retirement benefits were accruing to 4 directors (2016 - 4) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £143,453 (2016 - £71,355), including benefits in kind and pension contributions were made on behalf of the highest paid director, during the year of £371 (2016 -£4,800).

Notes to the Financial Statements  
For the Year Ended 28 February 2017

8. Interest payable and similar charges

	2017 £	2016 £
Bank interest payable	76,485	66,312
Bank charges payable	40,658	53,969
	<u>117,143</u>	<u>120,281</u>

9. Taxation

	2017 £	2016 £
<b>Corporation tax</b>		
Adjustments in respect of previous periods	(64,238)	19
<b>Total current tax</b>	<u>(64,238)</u>	<u>19</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	40,691	(68,432)
<b>Total deferred tax</b>	<u>40,691</u>	<u>(68,432)</u>
<b>Taxation on loss on ordinary activities</b>	<u>(23,547)</u>	<u>(68,413)</u>

**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 20% (2016 - 20%). The differences are explained below:

	2017 £	2016 £
Profit on ordinary activities before tax	<u>122,625</u>	<u>(439,255)</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2016 - 20%)	24,525	(88,223)
<b>Effects of:</b>		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	19,782	34,271
Adjustments to tax charge in respect of prior periods	(64,238)	-
Other differences leading to an increase (decrease) in the tax charge	(9,369)	(107)
Deferred tax not recognised	5,753	(14,354)
<b>Total tax charge for the year</b>	<u>(23,547)</u>	<u>(68,413)</u>

**Notes to the Financial Statements  
For the Year Ended 28 February 2017**

**9. Taxation (continued)**

**Factors that may affect future tax charges**

The company has unrelieved trading losses available to carry forward and offset against certain future trading profits of approximately £120,000 (2016 - £612,000).

**10. Intangible assets**

	Patents £	Development costs £	Purchased Goodwill £	Total £
<b>Cost</b>				
At 29 February 2016	6,931	286,774	152,092	445,797
At 28 February 2017	6,931	286,774	152,092	445,797
<b>Amortisation</b>				
At 29 February 2016	5,235	232,281	102,791	340,307
Charge for the year	1,696	54,493	49,301	105,490
At 28 February 2017	6,931	286,774	152,092	445,797
<b>Net book value</b>				
At 28 February 2017	-	-	-	-
At 28 February 2016	1,696	54,493	49,301	105,490

Development costs capitalised relates to a number of clearly defined projects. The costs are being amortised in equal amounts over two or three years from commercial production given most of the benefit is expected to fall in these years.

**Notes to the Financial Statements  
For the Year Ended 28 February 2017**

**11. Tangible fixed assets**

	Freehold property £	Plant and machinery £	Motor vehicles £	Fixtures and fittings £	Computer equipment £	Total £
<b>Cost or valuation</b>						
At 29 February 2016	1,419,858	1,641,167	129,450	279,275	422,328	3,892,078
Additions	-	17,631	-	2,462	7,626	27,719
Disposals	-	-	(10,725)	-	-	(10,725)
At 28 February 2017	<u>1,419,858</u>	<u>1,658,798</u>	<u>118,725</u>	<u>281,737</u>	<u>429,954</u>	<u>3,909,072</u>
<b>Depreciation</b>						
At 29 February 2016	80,205	981,212	25,436	208,771	236,838	1,532,462
Charge for the period	28,397	98,060	23,228	12,456	85,675	247,816
Disposals	-	-	(2,160)	-	-	(2,160)
At 28 February 2017	<u>108,602</u>	<u>1,079,272</u>	<u>46,504</u>	<u>221,227</u>	<u>322,513</u>	<u>1,778,118</u>
<b>Net book value</b>						
At 28 February 2017	<u>1,311,256</u>	<u>579,526</u>	<u>72,221</u>	<u>60,510</u>	<u>107,441</u>	<u>2,130,954</u>
At 28 February 2016	<u>1,339,653</u>	<u>659,955</u>	<u>104,014</u>	<u>70,504</u>	<u>185,490</u>	<u>2,359,616</u>

The net book value of assets held under finance leases or hire purchase contracts, included above, are as follows:

	2017 £	2016 £
Motor vehicles	<u>72,221</u>	<u>95,077</u>

Notes to the Financial Statements  
For the Year Ended 28 February 2017

12. Fixed asset investments

	Investments in subsidiary companies £
At 29 February 2016	327,502
Transfers intra group	(327,502)
At 29 February 2016	290,785
Charge for the period	31,114
Impairment on disposals	(321,899)
At 28 February 2017	-
At 28 February 2016	36,717

13. Stocks

	2017 £	2016 £
Raw materials and consumables	177,374	343,051

14. Debtors

	2017 £	2016 £
Trade debtors	1,594,068	1,882,764
Amounts owed by group undertakings	630,217	643,664
Other debtors	250	38,224
Prepayments and accrued income	165,881	192,720
Amounts recoverable on long term contracts	1,189,378	660,657
Tax recoverable	13,956	13,956
	3,593,750	3,431,985



**Notes to the Financial Statements  
For the Year Ended 28 February 2017**

**15. Cash and cash equivalents**

	2017 £	2016 £
Cash at bank and in hand	18,482	141,791
Less: bank overdrafts	(509,042)	(595,463)
	<u>(490,560)</u>	<u>(453,672)</u>

**16. Creditors: Amounts falling due within one year**

	2017 £	2016 £
Bank overdrafts	509,042	595,463
Bank loans	152,345	252,015
Payments received on account and warranty provisions	430,664	952,637
Trade creditors	1,833,998	1,595,109
Amounts owed to group undertakings	201	7,112
Other taxation and social security	138,732	238,798
Obligations under finance lease and hire purchase contracts	25,379	31,000
Other creditors	21,470	20,345
Accruals and deferred income	136,106	135,283
	<u>3,247,937</u>	<u>3,827,762</u>

**Secured loans**

The bank loan and overdraft are secured by a first legal charge dated 29 September 2015 over the Freehold Property and debentures dated 29 September 2015 over all freehold and leasehold properties owned now and in the future and floating charges over all property or other undertakings of the company. The bank loan is for a 10 year period and repayable by instalments. Interest is charged at a rate of 2.25% above bank base rate per annum.

Net obligations under finance and hire purchase contracts are secured by fixed charges over the assets concerned.

**Notes to the Financial Statements  
For the Year Ended 28 February 2017**

**17. Creditors: Amounts falling due after more than one year**

	2017 £	2016 £
Bank loans	643,124	722,996
Net obligations under finance leases and hire purchase contracts	2,060	27,316
	<u>645,184</u>	<u>750,312</u>

**Secured loans**

The bank loan and overdraft are secured by a first legal charge dated 29 September 2015 over the Freehold Property and debentures dated 29 September 2015 over all freehold and leasehold properties owned now and in the future and floating charges over all property or other undertakings of the company. The bank loan is for a 10 year period and repayable by instalments. Interest is charged at a rate of 2.25% above bank base rate per annum.

Net obligations under finance and hire purchase contracts are secured by fixed charges over the assets concerned.

**18. Loans**

Analysis of the maturity of loans is given below:

	2017 £	2016 £
<b>Amounts falling due within one year</b>		
Bank loans	152,345	252,015
<b>Amounts falling due 2-5 years</b>		
Bank loans	329,404	288,060
<b>Amounts falling due after more than 5 years</b>		
Bank loans	<u>313,720</u>	<u>434,936</u>

**19. Hire purchase and finance leases**

Minimum lease payments under hire purchase fall due as follows:

	2017 £	2016 £
Within one year	25,379	31,000
Between 1-2 years	2,060	26,500
Between 2-5 years	-	816
	<u>27,439</u>	<u>58,316</u>

**Notes to the Financial Statements  
For the Year Ended 28 February 2017**

**20. Financial instruments**

	2017 £	2016 £
<b>Financial assets</b>		
Financial assets measured at undiscounted amounts receivable	<u>3,432,395</u>	<u>3,367,100</u>
<b>Financial liabilities</b>		
Financial liabilities measured at undiscounted amounts payable	(2,422,440)	(2,710,486)
Financial liabilities measured at amortised cost	<u>(1,331,950)</u>	<u>(1,628,790)</u>

Financial assets measured at undiscounted amounts receivable comprise cash, trade debtors and other debtors, amounts due from long term contracts and amounts owed by group undertakings.

Financial liabilities measured at amortised cost comprise bank loans, overdrafts and amounts owed for hire purchase and finance leases.

Financial liabilities measured at undiscounted amounts payable comprise payments on account in relation to long term contracts, trade and other creditors.

**21. Deferred taxation**

	2017 £	2016 £
At beginning of year	(20,114)	(88,546)
Charged to the profit or loss	(40,691)	68,432
<b>At end of year</b>	<u>(60,805)</u>	<u>(20,114)</u>

The provision for deferred taxation is made up as follows:

	2017 £	2016 £
Accelerated capital allowances	(96,134)	(138,040)
Tax losses carried forward	20,712	116,338
Short-term timing differences	14,617	1,588
	<u>(60,805)</u>	<u>(20,114)</u>

Notes to the Financial Statements  
For the Year Ended 28 February 2017

22. Share capital

	2017 £	2016 £
<b>Shares classified as equity</b>		
<b>Allotted, called up and fully paid</b>		
15,098 Ordinary shares of £1 each	<u>15,098</u>	<u>15,098</u>

23. Reserves

**Revaluation reserve**

The revaluation reserve represents cumulative revaluation gains and losses recognised in other comprehensive income.

**Profit and loss account**

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

24. Contingent liabilities

At the year end a composite company unlimited multi lateral guarantee existed between the company's subsidiary undertakings and its parent undertaking. At the balance sheet date, the company had given guarantees to a number of its customers as way of performance bonds for the combined value of £175,000 (2016 - £220,000).

25. Pension commitments

The company operates a defined pension contribution 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 £40,742 (2016 - £45,927). Contributions totalling £5,965 (2016 - £6,220) were payable to the fund at the balance sheet date and included within creditors.

**Notes to the Financial Statements  
For the Year Ended 28 February 2017**

**26. Commitments under operating leases**

At 28 February 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	5,950	32,424
Later than 1 year and not later than 5 years	7,438	28,784
	<u>13,388</u>	<u>61,208</u>
	2017 £	2016 £
<b>Other</b>		
Not later than 1 year	145,295	161,016
Later than 1 year and not later than 5 years	83,807	185,085
	<u>229,102</u>	<u>346,101</u>

**27. Transactions with directors**

During the year advances were given to M Prentice, a director, totalling £5,250 (2016 - £5,350). The company also incurred private expenditure on behalf of the director, totalling £nil (2016 - £25,495).

M Prentice made repayments during the year of £33,008 (2016 - £40,000). M Prentice also incurred expenses of the company on behalf of Garrandale Limited of £10,115 (2016 - £46,914).

Interest was charged on the directors loan amount £Nil (2016 - £Nil). The balance owing to the company at the year end was £251 (2016 - £38,124). This is repayable in full within 12 months.

**28. Related party transactions**

The company has taken advantage of the exemption conferred by Financial Reporting Standard 102 not to disclose transactions with fellow group undertakings of Alfreton Holdings Limited, or the parent company itself, as the company is a wholly owned subsidiary of a parent entity publishing group financial statements.

Garrandale Limited ("GL") is related to Metal Finishing Machines Limited ("MFML") by virtue of common control from T J Brown. During the year MFML invoiced GL £125,000 net of VAT for services provided by T J Brown.

**29. Ultimate parent undertaking and controlling party**

The ultimate parent undertaking is Alfreton Holdings Limited, a company incorporated in England and Wales. In the opinion of the directors there is no one ultimate controlling party.