

Registered number: 01284029

**Garrandale Limited**

Directors' Report and Financial Statements

For the Year Ended 28 February 2018



**DAINS**  
ACCOUNTANTS

## **Garrandale Limited**

### **Company Information**

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**Directors**                      T J Brown  
   M J Prentice  
   S Rowley  
   A Shaw  
   D I Heeks (appointed 29 July 2018)

**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

## **Garrandale Limited**

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**Strategic Report**  
**For the Year Ended 28 February 2018**

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**Business review and future outlook**

The Company restructuring to significantly reduce fixed costs and improve focus on and performance in specific market sectors has been successfully completed. The rail depot equipment maintenance business now operates as a standalone business under the banner of MTMAS Ltd. The balance sheet has strengthened to almost £3m for the Company and the main trading divisions start 2018-19 with a very strong order book stretching well into 2020-21.

The Company continues to expand its offering in specialist rail depot equipment by working in collaboration with other well established businesses who can provide complimentary products. Agreements have now been put in place with equipment manufacturers in Germany, Italy and Poland with more opportunities under discussion.

The Company's Derby manufacturing facility continues to benefit from its re-focus to batch production providing goods for a reduced but proven customer base which it is now looking to expand to serve the new overseas entrants to the UK rolling stock market.

The Company has gained accreditation to the very exclusive and prestigious welding standard BS EN15085 that will underpin the Company's competitive advantage in high quality specialist manufacturing. The Company has also gained accreditation to BS EN9001:2015.

To ensure growth in the medium to long term the Company is working on several R&D projects with one of the UK's leading technical Universities. It is expected that these projects will be developed over the next 3 years after which they will start to provide significant returns on investment for many years to come.

The directors are confident that through the course of next year the Company will continue to build on the very positive progress made over the previous year to further strengthen its balance sheet and at the same time push ahead with investment in some exciting new product development activity.

**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.

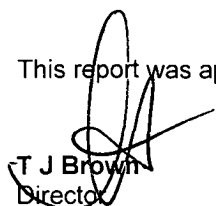
**Credit risk**

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.

**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 **6 SEPTEMBER 2018** and signed on its behalf.

  
**T J Brown**  
Director

## **Garrandale Limited**

### **Directors' Report For the Year Ended 28 February 2018**

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The directors present their report and the financial statements for the year ended 28 February 2018.

#### **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 £952,091 (2017 - £146,172).

No dividends were paid or proposed during the year (2017 - £nil).

#### **Directors**

The directors who served during the year were:

T J Brown  
M J Prentice  
S Rowley  
A Shaw

P S Jenkins was appointed to the Board 12 March 2018 and resigned 31 May 2018. D I Heeks was appointed to the Board on 29 July 2018.

#### **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 **6 SEPTEMBER 2018** and signed on its behalf.



**T J Brown**  
Director

**Directors' Responsibilities Statement  
For the Year Ended 28 February 2018**

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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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**Opinion**

We have audited the financial statements of Garrandale Limited (the 'Company') for the year ended 28 February 2018, which comprise the Profit and Loss Account, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes, 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 28 February 2018 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 Auditors' 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.

**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 Auditors' 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

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

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required to report that fact.

We have nothing to report in this regard.

**Opinion 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.

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

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.

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.

**Responsibilities of directors**

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, 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.



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

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**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 Auditors' 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 Auditors' Report.

**Use of our report**

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.



Mark Hargate FCA (Senior Statutory Auditor)

for and on behalf of  
**Dains LLP**

Statutory Auditor  
Chartered Accountants

Charlotte House, Derby

Date: 6/9/2018

Garrandale Limited

**Profit and Loss Account  
For the Year Ended 28 February 2018**

	Note	Continuing operations 2018 £	Discontinued operations 2018 £	Total 2018 £	Continuing operations 2017 £	Discontinued operations 2017 £	Total 2017 £
Turnover	4	14,354,774	2,391,094	16,745,868	10,424,261	1,585,065	12,009,326
Cost of sales		(9,937,617)	(1,604,257)	(11,541,874)	(6,844,623)	(1,176,462)	(8,021,085)
<b>Gross profit</b>		<b>4,417,157</b>	<b>786,837</b>	<b>5,203,994</b>	<b>3,579,638</b>	<b>408,603</b>	<b>3,988,241</b>
Distribution costs		(499,230)	(66,477)	(565,707)	(428,587)	(104,038)	(532,625)
Administrative expenses		(2,649,061)	(690,402)	(3,339,463)	(2,601,518)	(614,330)	(3,215,848)
<b>Operating profit</b>	5	<b>1,268,866</b>	<b>29,958</b>	<b>1,298,824</b>	<b>549,533</b>	<b>(309,765)</b>	<b>239,768</b>
Interest payable and similar charges	8	(82,259)	(413)	(82,672)	(117,108)	(35)	(117,143)
<b>Profit before tax</b>		<b>1,186,607</b>	<b>29,545</b>	<b>1,216,152</b>	<b>432,425</b>	<b>(309,800)</b>	<b>122,625</b>
Tax on profit	9	(264,061)	-	(264,061)	23,547	-	23,547
<b>Profit for the financial year</b>		<b>922,546</b>	<b>29,545</b>	<b>952,091</b>	<b>455,972</b>	<b>(309,800)</b>	<b>146,172</b>

There were no recognised gains and losses for 2018 or 2017 other than those included in the profit and loss account.

The notes on pages 11 to 29 form part of these financial statements.

**Garrandale Limited**

**Statement of Comprehensive Income  
For the Year Ended 28 February 2018**

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	Note	2018 £	2017 £
Profit for the financial year		<u>952,091</u>	<u>146,172</u>
Other comprehensive income		<u>-</u>	<u>-</u>
Other comprehensive income for the year		<u>-</u>	<u>-</u>
Total comprehensive income for the year		<u><u>952,091</u></u>	<u><u>146,172</u></u>

The notes on pages 11 to 29 form part of these financial statements.

Balance Sheet  
As at 28 February 2018

	Note	2018 £	2018 £	2017 £	2017 £
<b>Fixed assets</b>					
Tangible assets	11		1,832,900		2,130,954
			<u>1,832,900</u>		<u>2,130,954</u>
<b>Current assets</b>					
Stocks	12	428,957		177,374	
Debtors	13	5,216,536		3,593,750	
Cash at bank and in hand	14	1,138,905		18,482	
		<u>6,784,398</u>		<u>3,789,606</u>	
Creditors: amounts falling due within one year	15	(5,078,862)		(3,247,937)	
<b>Net current assets</b>			<u>1,705,536</u>		<u>541,669</u>
<b>Total assets less current liabilities</b>			<u>3,538,436</u>		<u>2,672,623</u>
Creditors: amounts falling due after more than one year	16		(571,711)		(645,184)
<b>Provisions for liabilities</b>					
Deferred tax	20	(48,000)		(60,805)	
			<u>(48,000)</u>		<u>(60,805)</u>
<b>Net assets</b>			<u><u>2,918,725</u></u>		<u><u>1,966,634</u></u>
<b>Capital and reserves</b>					
Called up share capital	21		15,098		15,098
Revaluation reserve	22		324,511		329,325
Profit and loss account	22		2,579,116		1,622,211
			<u><u>2,918,725</u></u>		<u><u>1,966,634</u></u>

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

6 SEPTEMBER 2018

  
T J Brown  
Director

The notes on pages 11 to 29 form part of these financial statements.

**Garrandale Limited**

**Statement of Changes in Equity  
For the Year Ended 28 February 2018**

	Called up share capital	Revaluation reserve	Profit and loss account	Total equity
	£	£	£	£
At 1 March 2017	15,098	329,325	1,622,211	1,966,634
<b>Comprehensive income for the year</b>				
Profit for the year	-	-	952,091	952,091
Transfer of excess depreciation held in revaluation reserve	-	(4,814)	4,814	-
<b>At 28 February 2018</b>	<b>15,098</b>	<b>324,511</b>	<b>2,579,116</b>	<b>2,918,725</b>

The notes on pages 11 to 29 form part of these financial statements.

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

	Called up share capital	Revaluation reserve	Profit and loss account	Total equity
	£	£	£	£
At 1 March 2016	15,098	334,139	1,471,225	1,820,462
<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>

The notes on pages 11 to 29 form part of these financial statements.

**Notes to the Financial Statements  
For the Year Ended 28 February 2018**

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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 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 judgment in applying the Company's accounting policies (see note 3).

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 2018**

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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**

**Goodwill**

Goodwill represents the difference between amounts paid on the cost of a business combination and the acquirer's interest in the fair value of its identifiable assets and liabilities of the acquiree at the date of acquisition. Subsequent to initial recognition, goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight line basis to the Profit and Loss Account over its useful economic life.

**Other 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.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

**Notes to the Financial Statements  
For the Year Ended 28 February 2018**

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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 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.

**2.6 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.

**2.7 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.

**2.8 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.

**2.9 Financial instruments**

The Company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, 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



**2. Accounting policies (continued)**

**2.9 Financial instruments (continued)**

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 debtors and creditors, 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 the 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.

**2.10 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.

**2.11 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.

**2.12 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.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

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

Assets obtained under hire purchase contracts 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 Profit and Loss Account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

**2. Accounting policies (continued)**

**2.14 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.

**2.15 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.

**2.16 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 2018**

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**2. Accounting policies (continued)**

**2.17 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.

**2.18 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.

**Notes to the Financial Statements  
For the Year Ended 28 February 2018**

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**3. Judgements 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.

**4. Turnover**

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

Analysis of turnover by country of destination:

	2018 £	2017 £
United Kingdom	16,293,417	11,083,455
Rest of Europe	124,884	77,236
Rest of the world	327,567	848,635
	<u>16,745,868</u>	<u>12,009,326</u>

**Notes to the Financial Statements  
For the Year Ended 28 February 2018**

**5. Operating profit**

The operating profit is stated after charging:

	2018 £	2017 £
Amortisation of intangible fixed assets	-	105,490
Depreciation of tangible fixed assets	210,494	247,816
Rent	47,814	43,478
Pension	35,093	40,743
Fees payable to the Company's auditor for the audit of the Company's annual financial statements	17,500	17,000
- Taxation compliance services	3,800	3,700
Other operating lease rentals	153,867	171,559
Motor vehicle lease rentals	147,231	161,398
	<u>2,871,646</u>	<u>2,668,404</u>

**6. Employees**

Staff costs were as follows:

	2018 £	2017 £
Wages and salaries	2,579,549	2,389,880
National insurance	257,004	237,781
Cost of defined contribution scheme	35,093	40,743
	<u>2,871,646</u>	<u>2,668,404</u>

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

	2018 No.	2017 No.
Production & Site Engineers	53	43
Sales & Project Engineers	11	15
Admin & Support	13	14
Directors	3	4
	<u>80</u>	<u>76</u>

**Notes to the Financial Statements  
For the Year Ended 28 February 2018**

**7. Directors' remuneration**

	2018 £	2017 £
Directors' emoluments	267,549	308,607
Company contributions to defined contribution pension schemes	9,990	10,771
Amounts paid to third parties in respect of directors' services	125,000	125,000
	<u>402,539</u>	<u>444,378</u>

During the year retirement benefits were accruing to 3 directors (2017 - 4) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £126,419 (2017 - £143,453).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £390 (2017 - £371).

**8. Interest payable and similar charges**

	2018 £	2017 £
Bank interest payable	42,816	76,485
Other interest payable	39,856	40,658
	<u>82,672</u>	<u>117,143</u>

**9. Taxation**

	2018 £	2017 £
<b>Corporation tax</b>		
Current tax on profits for the year	276,866	(64,238)
<b>Total current tax</b>	<u>276,866</u>	<u>(64,238)</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	(12,805)	40,691
<b>Total deferred tax</b>	<u>(12,805)</u>	<u>40,691</u>
<b>Taxation on profit/(loss) on ordinary activities</b>	<u>264,061</u>	<u>(23,547)</u>

**Notes to the Financial Statements**  
**For the Year Ended 28 February 2018**

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**9. Taxation (continued)**

**Factors affecting tax charge for the year**

The tax assessed for the year is higher than (2017 - lower than) the standard rate of corporation tax in the UK of 19.08% (2017 - 20%). The differences are explained below:

	2018 £	2017 £
Profit on ordinary activities before tax	1,216,152	122,625
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.08% (2017 - 20%)	232,042	24,525
<b>Effects of:</b>		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	29,216	19,782
Adjustments to tax charge in respect of prior periods	-	(64,238)
Fixed asset differences	6,462	-
Other differences leading to an increase (decrease) in the tax charge	(15,750)	(9,369)
Deferred tax not recognised	12,091	5,753
<b>Total tax charge for the year</b>	<b>264,061</b>	<b>(23,547)</b>

**Factors that may affect future tax charges**

The company has unrelieved trading losses available to carry forward and offset against future trading profits of approximately £nil (2017 - £120,000).

Notes to the Financial Statements  
For the Year Ended 28 February 2018

10. Intangible assets

	Patents £	Development costs £	Purchased Goodwill £	Total £
At 1 March 2017	6,931	286,774	152,092	445,797
Disposals	(6,931)	(286,774)	(152,092)	(445,797)
At 28 February 2018	-	-	-	-
At 1 March 2017	6,931	286,774	152,092	445,797
On disposals	(6,931)	(286,774)	(152,092)	(445,797)
At 28 February 2018	-	-	-	-
<b>Net book value</b>				
At 28 February 2018	-	-	-	-
At 28 February 2017	-	-	-	-



**Notes to the Financial Statements**  
**For the Year Ended 28 February 2018**

**11. Tangible fixed assets**

	Freehold property £	Plant and machinery £	Motor vehicles £	Fixtures and fittings £	Computer equipment £	Total £
<b>Cost or valuation</b>						
At 1 March 2017	1,419,858	1,658,798	118,725	281,737	429,954	3,909,072
Additions	-	117,111	-	2,923	6,602	126,636
Disposals	-	(201,524)	(118,725)	(8,414)	(66,195)	(394,858)
At 28 February 2018	<u>1,419,858</u>	<u>1,574,385</u>	<u>-</u>	<u>276,246</u>	<u>370,361</u>	<u>3,640,850</u>
<b>Depreciation</b>						
At 1 March 2017	108,602	1,079,272	46,504	221,227	322,513	1,778,118
Charge for the year on owned assets	28,397	94,414	20,951	9,042	57,690	210,494
Disposals	-	(66,003)	(67,455)	(3,782)	(43,422)	(180,662)
At 28 February 2018	<u>136,999</u>	<u>1,107,683</u>	<u>-</u>	<u>226,487</u>	<u>336,781</u>	<u>1,807,950</u>
<b>Net book value</b>						
At 28 February 2018	<u>1,282,859</u>	<u>466,702</u>	<u>-</u>	<u>49,759</u>	<u>33,580</u>	<u>1,832,900</u>
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>

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

	2018 £	2017 £
Motor vehicles	-	72,221
	<u>-</u>	<u>72,221</u>

The freehold property was previously revalued. At the date of transition to FRS 102 the assets were measured using the deemed cost exemption. If the property was recorded at its historical cost including depreciation, the net book value at the balance sheet date would have been £958,349 (2017:£981,932).

**Notes to the Financial Statements  
For the Year Ended 28 February 2018**

**12. Stocks**

	2018 £	2017 £
Raw materials and consumables	51,397	177,374
Work in progress (goods to be sold)	377,560	-
	<u>428,957</u>	<u>177,374</u>

**13. Debtors**

	2018 £	2017 £
Trade debtors	2,947,535	1,594,068
Amounts owed by group undertakings	620,036	630,217
Amounts owed by associated undertakings	357,666	-
Other debtors	-	250
Prepayments and accrued income	146,450	165,881
Amounts recoverable on long term contracts	1,130,894	1,189,378
Tax recoverable	13,956	13,956
	<u>5,216,537</u>	<u>3,593,750</u>

**14. Cash and cash equivalents**

	2018 £	2017 £
Cash at bank and in hand	1,138,905	18,482
Less: bank overdrafts	(899)	(509,042)
	<u>1,138,006</u>	<u>(490,560)</u>

**Notes to the Financial Statements  
For the Year Ended 28 February 2018**

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

	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
Bank overdrafts	899	509,042
Bank loans	364,016	152,345
Payments received on account	462,489	430,664
Trade creditors	2,172,595	1,833,998
Amounts owed to group undertakings	207	201
Amounts owed to associates	36,329	-
Corporation tax	276,866	-
Other taxation and social security	468,829	138,732
Obligations under finance lease and hire purchase contracts	-	25,379
Other creditors	49,388	21,470
Accruals and deferred income	1,247,244	136,106
	<u>5,078,862</u>	<u>3,247,937</u>

**Notes to the Financial Statements  
For the Year Ended 28 February 2018**

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

	2018 £	2017 £
Bank loans	571,711	643,124
Net obligations under finance leases and hire purchase contracts	-	2,060
	<u>571,711</u>	<u>645,184</u>

The following liabilities were secured:

	2018 £	2017 £
Bank loans and overdrafts	936,626	1,304,511
Hire purchase and finance leases	-	27,439
	<u>936,626</u>	<u>1,331,950</u>

Details of security provided:

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 in installments. 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.

**17. Loans**

Analysis of the maturity of loans is given below:

	2018 £	2017 £
<b>Amounts falling due within one year</b>		
Bank loans	364,016	152,345
<b>Amounts falling due 2-5 years</b>		
Bank loans	288,059	329,404
<b>Amounts falling due after more than 5 years</b>		
Bank loans	283,652	313,720
	<u>935,727</u>	<u>795,469</u>

**Notes to the Financial Statements  
For the Year Ended 28 February 2018**

**18. Hire purchase and finance leases**

Minimum lease payments under hire purchase fall due as follows:

	2018 £	2017 £
Within one year	-	25,379
Between 1-5 years	-	2,060
	<u>-</u>	<u>27,439</u>

**19. Financial instruments**

	2018 £	2017 £
<b>Financial assets</b>		
Financial assets measured at undiscounted amounts receivable	<u>6,195,035</u>	<u>3,432,395</u>
<b>Financial liabilities</b>		
Financial liabilities measured at undiscounted amounts payable	(3,968,252)	(2,422,440)
Financial liabilities measured at amortised cost	<u>(936,626)</u>	<u>(1,331,950)</u>
	<u>3,031,626</u>	<u>1,090,490</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 and associated undertakings

Financial liabilities measured at undiscounted amounts payable comprise payments on account in relation to long term contracts, trade and other creditors, amounts owed to group undertakings and associates, accruals and deferred income.

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

**Notes to the Financial Statements  
For the Year Ended 28 February 2018**

**20. Deferred taxation**

	2018 £
At beginning of year	(60,805)
Charged to the profit or loss	12,805
<b>At end of year</b>	<b>(48,000)</b>

The provision for deferred taxation is made up as follows:

	2018 £	2017 £
Accelerated capital allowances	(49,000)	(96,134)
Tax losses carried forward	-	20,712
Short-term timing differences	1,000	14,617
	<b>(48,000)</b>	<b>(60,805)</b>

**21. Share capital**

	2018 £	2017 £
<b>Allotted, called up and fully paid</b>		
15,098 Ordinary shares of £1 each	<b>15,098</b>	15,098

**22. Reserves**

**Revaluation reserve**

The revaluation reserve represents cumulative revaluation gains and losses recognised in other comprehensive income less transfers of excess depreciation released to the profit and loss reserve.

**Profit and loss account**

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

**23. Discontinued operations**

On 22 February 2018, the company disposed of trade and certain assets from its rail managed transport, maintenance and support services division for a consideration of £263,541. There was no profit or loss on this transaction.

**Notes to the Financial Statements  
For the Year Ended 28 February 2018**

**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 (2017 - £175,000), which lapsed on 1 April 2018.

**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 £35,093 (2017 - £40,742). Contributions totalling £5,950 (2016 - £5,965) were payable to the fund at the balance sheet date and included within creditors.

**26. Commitments under operating leases**

At 28 February 2018 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2018 £	2017 £
<b>Land and buildings</b>		
Not later than 1 year	7,438	5,950
Later than 1 year and not later than 5 years	1,488	7,438
	<u>8,926</u>	<u>13,388</u>
	2018 £	2017 £
<b>Other</b>		
Not later than 1 year	82,868	145,295
Later than 1 year and not later than 5 years	16,023	83,807
	<u>98,891</u>	<u>229,102</u>

**Notes to the Financial Statements  
For the Year Ended 28 February 2018**

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**27. 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.

**Transactions with Directors**

Garrandale Limited ("GL") is related to Metal Finishing Machines Limited ("MFML") by virtue of common control. During the year MFML invoiced GL £191,870 (2017: £209,436) net of VAT, for services provided and expenses incurred.

M Prentice, a director of the company had outstanding loans owing to the company at the end of 2018 of £nil (2017 of £250).

**28. 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.

The financial statements are available from the same address as that of the Garrandale Limited financial statements.