

Company Registration No. 02792107 (England and Wales)

**SPECIALIST COATINGS LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2016**

# **SPECIALIST COATINGS LIMITED**

## **COMPANY INFORMATION**

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<b>Directors</b>	Dr Allan Mitchell Mrs Irene Mitchell Mr Allan Mitchell
<b>Secretary</b>	Mrs Irene Mitchell
<b>Company number</b>	02792107
<b>Registered office</b>	c/o Almit Group Faverdale Faverdale Industrial Estate Darlington Co Durham DL3 0PP
<b>Auditors</b>	Baldwins (Portobello) Limited Rowlands House Portobello Road Birtley Chester-le-Street Co. Durham DH3 2RY
<b>Business address</b>	c/o Almit Group Faverdale Faverdale Industrial Estate Darlington Co Durham DL3 0PP

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# SPECIALIST COATINGS LIMITED

## CONTENTS

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	<b>Page</b>
Strategic report	1
Directors' report	2 - 3
Independent auditor's report	4 - 5
Profit and loss account	6
Statement of comprehensive income	7
Balance sheet	8
Statement of changes in equity	9
Notes to the financial statements	10 - 22

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# **SPECIALIST COATINGS LIMITED**

## **STRATEGIC REPORT**

***FOR THE YEAR ENDED 31 MARCH 2016***

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The directors present the strategic report and financial statements for the Year ended 31 March 2016.

### **Fair review of the business**

The company has continued to invest heavily in its new property at Faverdale in Darlington, with continued renovation of the properties and the introduction of further plant and equipment. This work has been assisted by both government grants and support from the company bankers. Although this investment has not yet shown through in terms of increased turnover, this is expected to follow in the following couple of years.

### **Principal risks and uncertainties**

These remain the general performance of the UK economy and to a certain extent the price of oil. The possible effects due to the probable exit of the UK from the European Union is as yet unclear, though it is hoped will be minimal.

### **Development and performance**

Proportionately sales are slightly up on the previous 15 month period, which is expected to continue into the next two years at least as the increased capacity, following the investment mentioned above, is fully utilised. Gross profit margins have been maintained, which together with some savings in overheads has enabled the company to match the profits of the previous longer period.

### **Key performance indicators**

The directors consider sales and cash flow to be key indicators when monitoring the company's progress. As mentioned above sales this year are proportionately up this year, by 10% compared to the previous period. In addition available bank balances at the year end are up significantly on the previous period, allowing the company to continue its development. An overall situation with which the directors are very satisfied.

### **Other information and explanations**

Going forward the directors hope to continue to develop the Faverdale site further and also bring other fellow subsidiaries on to the site, so bringing all group companies together in one place, which will save costs for all companies in the Almit Group to which they belong.

On behalf of the board

Dr Allan Mitchell

**Director**

19 September 2016

# **SPECIALIST COATINGS LIMITED**

## **DIRECTORS' REPORT**

**FOR THE YEAR ENDED 31 MARCH 2016**

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The directors present their annual report and financial statements for the Year ended 31 March 2016.

### **Principal activities**

The principal activity of the company continued to be that of wet and powder painting of metal structures together with shot blasting.

### **Directors**

The directors who held office during the Year and up to the date of signature of the financial statements were as follows:

Dr Allan Mitchell  
Mrs Irene Mitchell  
Mr Allan Mitchell

### **Results and dividends**

The results for the Year are set out on page 6.

Ordinary dividends were paid amounting to £584,300. The directors do not recommend payment of a final dividend.

### **Auditors**

In accordance with the company's articles, a resolution proposing that Baldwins (Portobello) Limited (formerly Rowlands Accountants) be reappointed as auditors of the company will be put at a General Meeting.

### **Statement of directors' responsibilities**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## **SPECIALIST COATINGS LIMITED**

### **DIRECTORS' REPORT (CONTINUED)**

***FOR THE YEAR ENDED 31 MARCH 2016***

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#### **Statement of disclosure to auditors**

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditors are unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditors are aware of that information.

On behalf of the board

Dr Allan Mitchell

**Director**

19 September 2016

# **SPECIALIST COATINGS LIMITED**

## **INDEPENDENT AUDITOR'S REPORT**

### **TO THE MEMBERS OF SPECIALIST COATINGS LIMITED**

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We have audited the financial statements of Specialist Coatings Limited for the Year ended 31 March 2016 set out on pages 6 to 22. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

#### **Respective responsibilities of directors and auditors**

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

#### **Scope of the audit of the financial statements**

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

#### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2016 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.

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

In our opinion 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.

## **SPECIALIST COATINGS LIMITED**

### **INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF SPECIALIST COATINGS LIMITED**

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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.

**Colin Chater (Senior Statutory Auditor)**  
**for and on behalf of Baldwins (Portobello) Limited**

21 September 2016

**Chartered Certified Accountants**  
**Statutory Auditor**

Rowlands House  
Portobello Road  
Birtley  
Chester-le-Street  
Co. Durham  
DH3 2RY



# SPECIALIST COATINGS LIMITED

## PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 MARCH 2016

		Year ended 31 March 2016 £	Period ended 31 March 2015 £
	Notes		
Turnover	3	5,801,525	6,792,244
Cost of sales		(2,806,255)	(3,393,483)
<b>Gross profit</b>		2,995,270	3,398,761
Administrative expenses		(1,832,738)	(2,216,162)
Other operating income		30,932	45,969
<b>Operating profit</b>	4	1,193,464	1,228,568
Interest receivable and similar income	7	3,591	2,197
Interest payable and similar charges	8	(98,977)	(134,626)
<b>Profit before taxation</b>		1,098,078	1,096,139
Taxation	9	117,045	(51,793)
<b>Profit for the financial Year</b>		1,215,123	1,044,346

The profit and loss account has been prepared on the basis that all operations are continuing operations.

## **SPECIALIST COATINGS LIMITED**

### **STATEMENT OF COMPREHENSIVE INCOME**

***FOR THE YEAR ENDED 31 MARCH 2016***

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	<b>Year ended 31 March 2016 £</b>	<b>Period ended 31 March 2015 £</b>
<b>Profit for the Year</b>	1,215,123	1,044,346
<b>Other comprehensive income</b>		
Revaluation of tangible fixed assets	1,987,727	-
<b>Total comprehensive income for the Year</b>	<u>3,202,850</u>	<u>1,044,346</u>

# SPECIALIST COATINGS LIMITED

## BALANCE SHEET

AS AT 31 MARCH 2016

	Notes	2016 £	£	2015 £	£
<b>Fixed assets</b>					
Tangible assets	11	7,425,571		3,387,276	
<b>Current assets</b>					
Stocks	12	61,579		35,301	
Debtors	13	2,372,917		2,436,814	
Cash at bank and in hand		524,133		77,359	
		<u>2,958,629</u>		<u>2,549,474</u>	
<b>Creditors: amounts falling due within one year</b>	14	<u>(5,599,206)</u>		<u>(3,588,138)</u>	
Net current liabilities		(2,640,577)		(1,038,664)	
<b>Total assets less current liabilities</b>		4,784,994		2,348,612	
<b>Creditors: amounts falling due after more than one year</b>	15	(459,761)		(667,206)	
<b>Provisions for liabilities</b>	18	(128,259)		(130,067)	
<b>Net assets</b>		<u>4,196,974</u>		<u>1,551,339</u>	
<b>Capital and reserves</b>					
Called up share capital	21	8		8	
Revaluation reserve		1,987,727		-	
Profit and loss reserves		<u>2,209,239</u>		<u>1,551,331</u>	
<b>Total equity</b>		<u>4,196,974</u>		<u>1,551,339</u>	

The financial statements were approved by the board of directors and authorised for issue on 19 September 2016 and are signed on its behalf by:

Dr Allan Mitchell  
Director

Company Registration No. 02792107

# SPECIALIST COATINGS LIMITED

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2016

		Share capital	Revaluation reserve	Profit and loss reserves	Total
	Notes	£	£	£	£
<b>Balance at 1 April 2014</b>		2	-	706,985	706,987
<b>Period ended 31 March 2015:</b>					
Profit and total comprehensive income for the period		-	-	1,044,346	1,044,346
Issue of share capital	21	6	-	-	6
Dividends	10	-	-	(200,000)	(200,000)
<b>Balance at 31 March 2015</b>		8	-	1,551,331	1,551,339
<b>Period ended 31 March 2016:</b>					
Profit for the period		-	-	1,215,123	1,215,123
Other comprehensive income:					
Revaluation of tangible fixed assets		-	1,987,727	-	1,987,727
Total comprehensive income for the period		-	1,987,727	1,215,123	3,202,850
Dividends	10	-	-	(584,300)	(584,300)
Transfers		-	-	27,085	27,085
<b>Balance at 31 March 2016</b>		8	1,987,727	2,209,239	4,196,974

# **SPECIALIST COATINGS LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 MARCH 2016**

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### **1 Accounting policies**

#### **Company information**

Specialist Coatings Limited is a company limited by shares incorporated in England and Wales. The registered office is c/o Almit Group, Faverdale, Faverdale Industrial Estate, Darlington, Co Durham, DL3 0PP.

#### **1.1 Accounting convention**

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared on the historical cost convention, modified to include the revaluation of freehold properties and to include investment properties and certain financial instruments at fair value. The principal accounting policies adopted are set out below.

These financial statements for the Year ended 31 March 2016 are the first financial statements of Specialist Coatings Limited prepared in accordance with FRS 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland. The date of transition to FRS 102 was 1 April 2014. The reported financial position and financial performance for the previous period are not affected by the transition to FRS 102.

#### **1.2 Going concern**

At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

#### **1.3 Turnover**

Turnover is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

When cash inflows are deferred and represent a financing arrangement, the fair value of the consideration is the present value of the future receipts. The difference between the fair value of the consideration and the nominal amount received is recognised as interest income.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer (usually on dispatch of the goods), the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue from contracts for the provision of professional services is recognised by reference to the stage of completion when the stage of completion, costs incurred and costs to complete can be estimated reliably. The stage of completion is calculated by comparing costs incurred, mainly in relation to contractual hourly staff rates and materials, as a proportion of total costs. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

# SPECIALIST COATINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2016

### 1 Accounting policies

(Continued)

#### 1.4 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Freehold buildings	2% straight line
Plant and machinery	15% reducing balance
Fixtures, fittings & equipment	15% reducing balance
Motor vehicles	25% reducing balance

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

#### 1.5 Impairment of fixed assets

At each reporting end date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried in at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

#### 1.6 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

Stocks held for distribution at no or nominal consideration are measured at cost, adjusted where applicable for any loss of service potential.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

# SPECIALIST COATINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2016

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### 1 Accounting policies

(Continued)

#### 1.7 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

#### 1.8 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's statement of financial position when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

##### **Basic financial assets**

Basic financial assets, which include trade and other receivables and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

##### **Other financial assets**

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publically traded and whose fair values cannot be measured reliably are measured at cost less impairment.

##### **Impairment of financial assets**

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

##### **Derecognition of financial assets**

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

# **SPECIALIST COATINGS LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE YEAR ENDED 31 MARCH 2016**

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### **1 Accounting policies**

**(Continued)**

#### ***Classification of financial liabilities***

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

Basic financial liabilities, including trade and other payables, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

#### ***Other financial liabilities***

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

#### ***Derecognition of financial liabilities***

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

### **1.9 Equity instruments**

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs.

Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

### **1.10 Taxation**

The tax expense represents the sum of the tax currently payable and deferred tax.

#### ***Current tax***

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.



# **SPECIALIST COATINGS LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE YEAR ENDED 31 MARCH 2016**

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### **1 Accounting policies**

**(Continued)**

#### ***Deferred tax***

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

#### **1.11 Employee benefits**

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

#### **1.12 Retirement benefits**

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

#### **1.13 Leases**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets at the lower of the assets fair value at the date of inception and the present value of the minimum lease payments. The related liability is included in the balance sheet as a finance lease obligation. Lease payments are treated as consisting of capital and interest elements. The interest is charged to the profit and loss account so as to produce a constant periodic rate of interest on the remaining balance of the liability.

#### **1.14 Government grants**

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

A grant that specifies performance conditions is recognised in income when the performance conditions are met. Where a grant does not specify performance conditions it is recognised in income when the proceeds are received or receivable. A grant received before the recognition criteria are satisfied is recognised as a liability.

Government grants relating to property, plant and equipment are treated as deferred income and released to profit or loss over the expected useful lives of the assets concerned.

# SPECIALIST COATINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2016

### 2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount 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 where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

### 3 Turnover and other revenue

All sales are derived from the company's principal activities of wet & powder painting of metal structures and shotblasting.

All the company's sales are to UK customers.

### 4 Operating profit

	2016	2015
Operating profit for the period is stated after charging/(crediting):	£	£
Government grants	(30,932)	(45,969)
Depreciation of owned tangible fixed assets	312,892	264,411
Depreciation of tangible fixed assets held under finance leases	19,085	27,299
Loss on disposal of tangible fixed assets	-	8,728
Cost of stocks recognised as an expense	1,312,011	1,502,898
	<u>          </u>	<u>          </u>

### 5 Auditors' remuneration

	2016	2015
Fees payable to the company's auditor and its associates:	£	£
<b>For audit services</b>		
Audit of the company's financial statements	6,200	11,000
	<u>          </u>	<u>          </u>

### 6 Directors' remuneration

	2016	2015
	£	£
Remuneration for qualifying services	71,250	78,333
	<u>          </u>	<u>          </u>

### 7 Interest receivable and similar income

	2016	2015
	£	£
<b>Interest income</b>		
Other interest income	3,591	2,197
	<u>          </u>	<u>          </u>

# SPECIALIST COATINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2016

### 8 Interest payable and similar charges

	2016	2015
	£	£
Interest on finance leases and hire purchase contracts	19,274	6,052
Other interest	79,703	128,574
	<u>          </u>	<u>          </u>

### 9 Taxation

	2016	2015
	£	£
<b>Current tax</b>		
Adjustments in respect of prior periods	(115,237)	-
	<u>          </u>	<u>          </u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	(1,808)	51,793
	<u>          </u>	<u>          </u>
<b>Total tax charge</b>	<u>(117,045)</u>	<u>51,793</u>

The charge for the Year can be reconciled to the profit per the profit and loss account as follows:

	2016	2015
	£	£
Profit before taxation	1,098,078	1,096,139
	<u>          </u>	<u>          </u>
Expected tax charge based on the standard rate of corporation tax in the UK of 20.00% (2015: 20.00%)	219,616	219,228
Tax effect of expenses that are not deductible in determining taxable profit	68,318	63,222
Tax effect of income not taxable in determining taxable profit	(6,186)	(17,885)
Unutilised tax losses carried forward	20,735	-
Adjustments in respect of prior years	(115,237)	-
Group relief	26,848	-
Permanent capital allowances in excess of depreciation	(329,331)	(264,527)
Deferred tax adjustments	(1,808)	51,793
Tax at marginal rate	-	(38)
	<u>          </u>	<u>          </u>
<b>Tax expense for the period</b>	<u>(117,045)</u>	<u>51,793</u>

No provision has been made in respect of Corporation Tax for the current year due to the availability of tax allowances applying to the company.

# SPECIALIST COATINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2016

### 10 Dividends

	2016 £	2015 £
Interim paid on ordinary preference shares	584,300	200,000
	<u>584,300</u>	<u>200,000</u>

### 11 Tangible fixed assets

	Freehold buildings	Plant and machinery	Fixtures, fittings & equipment	Motor vehicles	Total
	£	£	£	£	£
<b>Cost or valuation</b>					
At 1 April 2015	2,519,973	1,710,828	86,355	93,511	4,410,667
Additions	1,033,488	1,287,082	26,536	8,355	2,355,461
Revaluation	1,915,536	-	-	-	1,915,536
	<u>5,468,997</u>	<u>2,997,910</u>	<u>112,891</u>	<u>101,866</u>	<u>8,681,664</u>
<b>At 31 March 2016</b>					
	<u>5,468,997</u>	<u>2,997,910</u>	<u>112,891</u>	<u>101,866</u>	<u>8,681,664</u>
<b>Depreciation and impairment</b>					
At 1 April 2015	81,128	833,135	59,601	49,528	1,023,392
Depreciation charged in the Year	89,223	226,881	4,805	11,068	331,977
Revaluation	(99,276)	-	-	-	(99,276)
	<u>71,075</u>	<u>1,060,016</u>	<u>64,406</u>	<u>60,596</u>	<u>1,256,093</u>
<b>At 31 March 2016</b>					
	<u>71,075</u>	<u>1,060,016</u>	<u>64,406</u>	<u>60,596</u>	<u>1,256,093</u>
<b>Carrying amount</b>					
At 31 March 2016	5,397,922	1,937,894	48,485	41,270	7,425,571
	<u>5,397,922</u>	<u>1,937,894</u>	<u>48,485</u>	<u>41,270</u>	<u>7,425,571</u>
At 31 March 2015	2,438,846	877,693	26,754	43,983	3,387,276
	<u>2,438,846</u>	<u>877,693</u>	<u>26,754</u>	<u>43,983</u>	<u>3,387,276</u>

The net carrying value of tangible fixed assets includes the following in respect of assets held under finance leases or hire purchase contracts. The depreciation charge in respect of such assets amounted to £19,085 (2015 - £27,299) for the Year.

	2016 £	2015 £
Plant and machinery	65,492	77,050
Motor vehicles	22,584	30,112
	<u>88,076</u>	<u>107,162</u>

Land and buildings with a carrying amount of £5,397,922 were revalued at 16th July 2015 by Frank Knight Property Advisers, independent valuers not connected with the company on the basis of market value. The valuation conforms to International Valuation Standards and was based on recent market transactions on arm's length terms for similar properties.

# SPECIALIST COATINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2016

### 11 Tangible fixed assets

(Continued)

If revalued assets were stated on an historical cost basis rather than a fair value basis, the total amounts included would have been as follows:

	2016 £	2015 £
Cost	3,553,460	-
Accumulated depreciation	170,350	-
Carrying value	3,383,110	-

Freehold land and buildings with a carrying amount of £5,397,922 (2015 - £2,438,845) have been pledged to secure borrowings of the company and the group via cross guarantees. The company is not able to pledge these assets as security for other borrowings or to sell them to another entity without prior agreement of the lenders.

### 12 Stocks

	2016 £	2015 £
Finished goods and goods for resale	61,579	35,301

### 13 Debtors

	2016 £	2015 £
<b>Amounts falling due within one year:</b>		
Trade debtors	1,574,400	1,589,632
Amounts due from associate undertakings	358,703	383,642
Other debtors	126,583	142,408
Prepayments and accrued income	313,231	321,132
	2,372,917	2,436,814

# SPECIALIST COATINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2016

### 14 Creditors: amounts falling due within one year

	Notes	2016 £	2015 £
Loans and overdrafts	16	218,317	277,178
Obligations under finance leases	17	89,414	79,734
Trade creditors		876,262	542,632
Amount due to parent undertaking		850,000	850,000
Amounts due to fellow group undertakings		2,989,478	1,181,236
Other taxation and social security		243,805	394,059
Other creditors		203,916	80,682
Accruals and deferred income		128,014	182,617
		<u>5,599,206</u>	<u>3,588,138</u>

### 15 Creditors: amounts falling due after more than one year

	Notes	2016 £	2015 £
Loans and overdrafts	16	-	103,167
Obligations under finance leases	17	52,814	126,160
Government grants		406,947	437,879
		<u>459,761</u>	<u>667,206</u>

### 16 Loans and overdrafts

	2016 £	2015 £
Bank loans	103,167	241,781
Bank overdrafts	1,501	138,564
Directors' loans	113,649	-
	<u>218,317</u>	<u>380,345</u>
Payable within one year	218,317	277,178
Payable after one year	-	103,167

The amounts due under hire purchase contracts are secured on the assets to which they relate.

Included in bank loans and overdrafts due within one year is £1,501 (2015: £138,564) relating to money advanced in respect of an invoice finance agreement, which is secured on the debts factored. At the balance sheet date the outstanding factored debts were £1,410,059 (2015: £1,373,418) and are included in trade debtors.

The bank borrowings and invoice finance facilities are secured by a cross guarantee and debenture over the assets of all the Almit group companies.

# SPECIALIST COATINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2016

### 16 Loans and overdrafts (Continued)

### 17 Finance lease obligations

	2016 £	2015 £
Future minimum lease payments due under finance leases:		
Within one year	89,414	79,734
In two to five years	52,814	126,160
	<u>142,228</u>	<u>205,894</u>

Finance lease payments represent rentals payable by the company for certain items of plant and machinery. Leases include purchase options at the end of the lease period, and no restrictions are placed on the use of the assets. The average lease term is 3 years. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

### 18 Provisions for liabilities

	2016 £	2015 £
Deferred tax liabilities	128,259	130,067
	<u>128,259</u>	<u>130,067</u>

### 19 Deferred taxation

Deferred tax assets and liabilities are offset where the company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	Liabilities 2016 £	Liabilities 2015 £
<b>Balances:</b>		
Accelerated capital allowances	235,526	160,379
Tax losses	(107,267)	(30,312)
	<u>128,259</u>	<u>130,067</u>
<b>Movements in the Year:</b>		2016 £
Liability at 1 April 2015		130,067
Credit to profit and loss		(1,808)
Liability at 31 March 2016		<u>128,259</u>

## SPECIALIST COATINGS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2016

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19 Deferred taxation (Continued)

20 Retirement benefit schemes

**Defined contribution schemes**

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

The charge to profit and loss in respect of defined contribution schemes was £3,149 (2015 - £3,549).

21 Share capital

	2016 £	2015 £
<b>Ordinary share capital</b>		
<b>Issued and fully paid</b>		
2 Ordinary shares of £1 each	2	2
	==	==
<b>Preference share capital</b>		
<b>Issued and fully paid</b>		
6 Ordinary preference shares of £1 each	6	6
	==	==

22 Financial commitments, guarantees and contingent liabilities

There are unlimited inter-company bank guarantees in place between fellow subsidiaries, Almit Metal Finishing Limited, Timla Limited and Almit Properties Limited. The bank has a right of set-off against all group bank accounts.

23 Related party transactions

Mr A Mitchell a director of Specialist Coatings Limited is also a director of ASM Surface Technologies Limited. At the year end the balance due to ASM Surface Technologies Limited was £186,026 (2015 - £76,399). During the period the company purchased materials of £521,655 (2015 - £988,812). In addition trade creditors note above includes an amount of £0 (2015: £153,865) due to the company in respect of trade supplies purchased.



## SPECIALIST COATINGS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2016

#### 24 Directors' transactions

Dividends totalling £78400 (2015 - £25000) were paid in the Year in respect of shares held by the company's directors.

Description	% Rate	Opening Balance £	Amounts Advanced £	Interest Charged £	Amounts Repaid £	Closing Balance £
Directors loan account	3.00	137,378	39,264	3,591	56,950	123,283
		<u>137,378</u>	<u>39,264</u>	<u>3,591</u>	<u>56,950</u>	<u>123,283</u>

#### 25 Controlling party

The company's immediate and ultimate parent company is Almit Group Limited, a company registered in England & Wales.

The company's ultimate controlling party is Dr A & Mrs I Mitchell due to their controlling interest in the ultimate parent company Almit Group Limited.

This document was delivered using electronic communications and authenticated in accordance with the registrar's rules relating to electronic form, authentication and manner of delivery under section 1072 of the Companies Act 2006.