

**NUMBER: 04087377**

**Strategic Report, Report of the Directors and  
Financial Statements  
for the Year Ended 31 March 2016  
for  
Mech-Tool Engineering Limited**

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# **Mech-Tool Engineering Limited**

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**Mech-Tool Engineering Limited**

**Company Information  
for the Year Ended 31 March 2016**

**DIRECTORS:**

M K Garner  
P Bullock  
V Garner  
A M Lyon  
K J Bell  
A Mather  
A G Jones

**SECRETARY:**

A M Lyon

**REGISTERED OFFICE:**

Mech-Tool House  
Whessoe Road  
DARLINGTON  
Co Durham  
DL3 0QT

**REGISTERED NUMBER:**

04087377 (England and Wales)

**SENIOR STATUTORY AUDITOR:**

Christopher Beaumont BA(Hons) FCA DChA

**AUDITORS:**

Clive Owen LLP  
Chartered Accountants  
& Statutory Auditors  
140 Coniscliffe Road  
DARLINGTON  
Co Durham  
DL3 7RT

**Mech-Tool Engineering Limited**  
**Strategic Report**  
**for the Year Ended 31 March 2016**

The directors present their strategic report for the year ended 31 March 2016.

**REVIEW OF BUSINESS**

The principal activity of the Company in the year under review was that of design, engineering, and manufacture of fire and blast related products including module and enclosures along with the provision of associated project management.

The key financial and other performance indicators during the year were as follows:

	2016 £'000	2015 £'000	Change %
Turnover	27,469	35,333	-22%
Operating profit	3,084	4,037	-24%
Profit after tax	2,970	3,066	-3%
Equity shareholders' funds	10,900	7,930	37%
Average number of employees	194	212	-8%
Orders on hand	13,661	14,865	-8%

The Company has enjoyed another strong year in terms of business development and financial performance notwithstanding the pressures due to the continuing low oil price and the results are in line with the expectations established at the start of the year. The Company continues to focus on the design, engineering and supply of pre-fabricated lightweight topside cladding and of high integrity modularised buildings primarily for the oil and gas market.

The Company's subsidiary, Mech-Tool Korea has completed its second full year of operating with sales of £3,226k (2015: £3,352k) and an operating profit of £198k (2015: £122k). Mech Tool Korea has performed in line with expectations set out in the original business plan and the presence of Mech Tool Korea greatly enhances the company's ability to attract work from the three main Korean shipyards.

Market conditions continue to remain challenging following the reduction in the oil price in late 2014. Many offshore projects that had been identified as significant prospects have been delayed or cancelled. Mech-Tool has secured a 5 year frame agreement with Statoil and this will result in activity on the Johan Sverdrup project over the next few years. There is evidence that the TCO project in Kazakhstan is proceeding. There are a number of cladding and modular building packages which Mech-Tool has been bidding on over the last three to four years. The Company is optimistic about winning several major supply projects for TCO which will underpin sales revenue during part of 2016 and through 2017 and 2018.

As a result of the downturn in capital spending on offshore oil and gas projects Mech-Tool has put greater business development emphasis into downstream activities at refineries, into petrochemical related opportunities and into more buoyant market sectors such as offshore wind farms, other forms of renewable energy projects and the defence sector. Orders have been won recently in each of these market sectors.

The Company continues to seek to strengthen its skilled and resourceful workforce and to enhance its functional specialists.

**Mech-Tool Engineering Limited**

**Strategic Report  
for the Year Ended 31 March 2016**

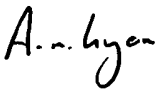
**PRINCIPAL RISKS AND UNCERTAINTIES**

The principal risks and uncertainties facing the Company can be split between market risks and exchange rate risks.

Market risk - the Company has traditionally supplied products almost exclusively into the oil and gas market. A severe fall in the price of oil or gas can affect the industry as a whole and lead to the suspension or cancellation of a number of projects.

Exchange rate risk - A significant proportion of the Company's larger contracts are denominated in US dollars. The Company uses forward foreign exchange contracts to reduce the exposure to foreign currency movements. However a significant, sustained change in the exchange rate could affect the Company's gross margin on future contracts

**ON BEHALF OF THE BOARD:**



A M Lyon - Director

26 May 2016

## **Mech-Tool Engineering Limited**

### **Report of the Directors for the Year Ended 31 March 2016**

The directors present their report with the financial statements of the Company for the year ended 31 March 2016.

#### **PRINCIPAL ACTIVITY**

The principal activity of the Company in the year under review was that of design, engineering, and manufacture of fire and blast related products including module and enclosures along with the provision of associated project management.

#### **DIVIDENDS**

No dividends will be distributed for the year ended 31 March 2016.

#### **DIRECTORS**

The directors shown below have held office during the whole of the period from 1 April 2015 to the date of this report.

M K Garner  
P Bullock  
V Garner  
A M Lyon  
K J Bell  
A Mather

Other changes in directors holding office are as follows:

D Walker - resigned 30 June 2015  
A G Jones - appointed 1 January 2016

#### **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The directors are responsible for preparing the Report of the Directors 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.

#### **STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS**

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

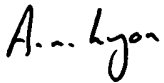
**Mech-Tool Engineering Limited**

**Report of the Directors  
for the Year Ended 31 March 2016**

**AUDITORS**

The auditors, Clive Owen LLP, are deemed to be reappointed under section 487(2) of the Companies Act 2006.

**ON BEHALF OF THE BOARD:**

A handwritten signature in black ink, appearing to read 'A. M. Lyon'.

A M Lyon - Director

26 May 2016

## **Report of the Independent Auditors to the Members of Mech-Tool Engineering Limited**

We have audited the financial statements of Mech-Tool Engineering Limited for the year ended 31 March 2016 on pages eight to twenty five. 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 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in a Report of the Auditors 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 Statement of Directors' Responsibilities set out on page four, 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 Strategic Report and the Report of the Directors 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 matter prescribed by the Companies Act 2006**

In our opinion the information given in the Strategic Report and the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.



**Report of the Independent Auditors to the Members of  
Mech-Tool Engineering Limited**

**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.



Christopher Beaumont BA(Hons) FCA DChA (Senior Statutory Auditor)  
for and on behalf of Clive Owen LLP  
Chartered Accountants  
& Statutory Auditors  
140 Coniscliffe Road  
DARLINGTON  
Co Durham  
DL3 7RT

26 May 2016

**Mech-Tool Engineering Limited**

**Income Statement  
for the Year Ended 31 March 2016**

	Notes	2016 £	2015 £
<b>TURNOVER</b>	2	27,468,564	35,333,004
Cost of sales		<u>21,694,495</u>	<u>28,284,186</u>
<b>GROSS PROFIT</b>		5,774,069	7,048,818
Administrative expenses		<u>2,689,662</u>	<u>3,011,373</u>
<b>OPERATING PROFIT</b>	4	3,084,407	4,037,445
Unrealised profit/loss on foreign exchange movements on hedging contracts		<u>311,469</u>	<u>(396,950)</u>
		3,395,876	3,640,495
Interest receivable and similar income		<u>4,904</u>	<u>3,530</u>
		3,400,780	3,644,025
Interest payable and similar charges	5	<u>7</u>	<u>155</u>
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		3,400,773	3,643,870
Tax on profit on ordinary activities	6	<u>430,915</u>	<u>578,005</u>
<b>PROFIT FOR THE FINANCIAL YEAR</b>		<u><u>2,969,858</u></u>	<u><u>3,065,865</u></u>

The notes form part of these financial statements

**Mech-Tool Engineering Limited**

**Other Comprehensive Income  
for the Year Ended 31 March 2016**

Notes	2016 £	2015 £
<b>PROFIT FOR THE YEAR</b>	2,969,858	3,065,865
<b>OTHER COMPREHENSIVE INCOME</b>		
Bonus share issue	-	(1,000,000)
Movement on hedging reserve	<u>-</u>	<u>908,234</u>
<b>OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF INCOME TAX</b>	<u>-</u>	<u>(91,766)</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<u>2,969,858</u>	<u>2,974,099</u>

The notes form part of these financial statements

NUMBER: 04087377

**Mech-Tool Engineering Limited**

**Balance Sheet  
31 March 2016**

	Notes	2016 £	2015 £
<b>FIXED ASSETS</b>			
Tangible assets	8	2,045,201	1,892,776
Investments	9	<u>600,601</u>	<u>126,000</u>
		2,645,802	2,018,776
<b>CURRENT ASSETS</b>			
Stocks	10	620,901	1,580,572
Debtors	11	10,454,424	11,313,935
Cash at bank and in hand		<u>4,447,778</u>	<u>6,310,977</u>
		15,523,103	19,205,484
<b>CREDITORS</b>			
Amounts falling due within one year	12	<u>7,086,331</u>	<u>13,136,812</u>
<b>NET CURRENT ASSETS</b>		<u>8,436,772</u>	<u>6,068,672</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		11,082,574	8,087,448
<b>PROVISIONS FOR LIABILITIES</b>	15	<u>182,243</u>	<u>156,975</u>
<b>NET ASSETS</b>		<u>10,900,331</u>	<u>7,930,473</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	16	1,050,000	1,050,000
Retained earnings	17	<u>9,850,331</u>	<u>6,880,473</u>
<b>SHAREHOLDERS' FUNDS</b>		<u>10,900,331</u>	<u>7,930,473</u>

The financial statements were approved by the Board of Directors on 26 May 2016 and were signed on its behalf by:



A M Lyon - Director

The notes form part of these financial statements

**Mech-Tool Engineering Limited**

**Statement of Changes in Equity  
for the Year Ended 31 March 2016**

	Called up share capital £	Retained earnings £	Hedging reserve £	Total equity £
<b>Balance at 1 April 2014</b>	1,050,000	4,814,608	(908,234)	4,956,374
<b>Changes in equity</b>				
Total comprehensive income	-	2,065,865	908,234	2,974,099
<b>Balance at 31 March 2015</b>	1,050,000	6,880,473	-	7,930,473
<b>Changes in equity</b>				
Total comprehensive income	-	2,969,858	-	2,969,858
<b>Balance at 31 March 2016</b>	1,050,000	9,850,331	-	10,900,331

The notes form part of these financial statements :

**Mech-Tool Engineering Limited**

**Cash Flow Statement  
for the Year Ended 31 March 2016**

	Notes	2016 £	2015 £
<b>Cash flows from operating activities</b>			
Cash generated from operations	1	(344,737)	6,524,045
Interest paid		(7)	(155)
Tax paid		<u>(444,786)</u>	<u>(728,182)</u>
Net cash from operating activities		<u>(789,530)</u>	<u>5,795,708</u>
<b>Cash flows from investing activities</b>			
Purchase of tangible fixed assets		(607,476)	(1,056,843)
Purchase of fixed asset investments		(474,601)	-
Sale of tangible fixed assets		3,504	22,002
Interest received		<u>4,904</u>	<u>3,530</u>
Net cash from investing activities		<u>(1,073,669)</u>	<u>(1,031,311)</u>
<b>(Decrease)/increase in cash and cash equivalents</b>		<b>(1,863,199)</b>	<b>4,764,397</b>
<b>Cash and cash equivalents at beginning of year</b>	2	<u>6,310,977</u>	<u>1,546,580</u>
<b>Cash and cash equivalents at end of year</b>	2	<u><u>4,447,778</u></u>	<u><u>6,310,977</u></u>

The notes form part of these financial statements

**Mech-Tool Engineering Limited**

**Notes to the Cash Flow Statement  
for the Year Ended 31 March 2016**

**1. RECONCILIATION OF PROFIT BEFORE TAXATION TO CASH GENERATED FROM OPERATIONS**

	2016	2015
	£	£
Profit before taxation	3,400,773	3,643,870
Depreciation charges	449,095	352,669
Loss on disposal of fixed assets	2,452	27,490
Profit/loss on hedging	(311,469)	396,950
Finance costs	7	155
Finance income	<u>(4,904)</u>	<u>(3,530)</u>
	3,535,954	4,417,604
Decrease/(increase) in stocks	959,671	(376,230)
Decrease/(increase) in trade and other debtors	609,003	(589,814)
(Decrease)/increase in trade and other creditors	<u>(5,449,365)</u>	<u>3,072,485</u>
<b>Cash generated from operations</b>	<u><b>(344,737)</b></u>	<u><b>6,524,045</b></u>

**2. CASH AND CASH EQUIVALENTS**

The amounts disclosed on the Cash Flow Statement in respect of cash and cash equivalents are in respect of these Balance Sheet amounts:

**Year ended 31 March 2016**

	31.3.16	1.4.15
	£	£
Cash and cash equivalents	<u>4,447,778</u>	<u>6,310,977</u>

**Year ended 31 March 2015**

	31.3.15	1.4.14
	£	£
Cash and cash equivalents	<u>6,310,977</u>	<u>1,546,580</u>

The notes form part of these financial statements

## **Mech-Tool Engineering Limited**

### **Notes to the Financial Statements for the Year Ended 31 March 2016**

#### **1. ACCOUNTING POLICIES**

##### **Basis of preparing the financial statements**

These financial statements have been prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Companies Act 2006. The financial statements have been prepared under the historical cost convention.

The company is a Limited company incorporated in England and Wales. Its registered office is Mech-Tool House, Whessoe Road, Darlington, Co. Durham, DL3 0QT.

The financial statements are presented in £.

##### **Preparation of consolidated financial statements**

The financial statements contain information about Mech-Tool Engineering Limited as an individual company and do not contain consolidated financial information as the parent of a group. The company is exempt under Section 400 of the Companies Act 2006 from the requirements to prepare consolidated financial statements as it and its subsidiary undertaking are included by full consolidation in the consolidated financial statements of its parent, Mech-Tool Holdings Limited, a company registered in England.

##### **Significant judgements and estimates**

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

Amounts recoverable on contracts - The amount included in debtors for amounts recoverable on contracts is based on an estimate of the value of work done but not invoiced as at the balance sheet date less an estimate by management of the costs that will not be recoverable on completion of the contract. This provision is based on a estimate of the profitability of the contract as a whole upon future completion.

Foreign exchange - The company is exposed to currency exchange rate risk due to a significant proportion of its receivables and operating expenses being denominated in non-Sterling currencies. As such the company enters into forward contract hedging contracts, with any fair value movements accounted for at the year end through Profit and Loss or Other Comprehensive Income.

##### **Turnover**

Turnover represents amounts invoiced to outside customers, except in respect of contracting activities where turnover represents the value of work carried out during the year including amounts not invoiced. Turnover excludes value added tax and similar sales-based taxes.

##### **Tangible fixed assets**

Tangible fixed assets are measured at amortised cost.

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Improvements to property	- 10% on cost and 5% on cost
Plant and machinery	- 10% - 33% on cost
Fixtures and fittings	- 10 - 20% on cost
Motor vehicles	- 10 - 20% on cost
Computer equipment	- 33% on cost



**Mech-Tool Engineering Limited**

**Notes to the Financial Statements - continued  
for the Year Ended 31 March 2016**

**1. ACCOUNTING POLICIES - continued**

**Stocks and long term contracts**

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Stock is valued at weighted average cost.

Long term contracts are those extending in excess of 12 months and any of a shorter duration which are material to the activity for the period. Attributable profit is recognised once the outcome of a long term contract can be assessed with reasonable certainty. Attributable profit is recognised on the cost complete method. Immediate provision is made for all foreseeable losses if a contract is assessed as unprofitable.

**Deferred tax**

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

**Research and development**

Expenditure on research and development is written off in the year in which it is incurred.

**Foreign currencies**

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

**Hire purchase and leasing commitments**

Rentals paid under operating leases are charged to profit or loss on a straight line basis over the period of the lease.

**Pension costs and other post-retirement benefits**

The company operates a defined contribution pension scheme. Contributions payable to the company's pension scheme are charged to profit or loss in the period to which they relate.

**Investments**

Investments in subsidiaries are included in the balance sheet at cost.

**2. TURNOVER**

The turnover and profit before taxation are attributable to the one principal activity of the company.

An analysis of turnover by geographical market is given below:

	2016 £	2015 £
United Kingdom	9,174,323	8,194,665
Overseas	<u>18,294,241</u>	<u>27,138,339</u>
	<u>27,468,564</u>	<u>35,333,004</u>

**Mech-Tool Engineering Limited**

**Notes to the Financial Statements - continued  
for the Year Ended 31 March 2016**

**3. STAFF COSTS**

	2016	2015
	£	£
Wages and salaries	9,219,208	10,228,232
Social security costs	849,742	1,011,272
Other pension costs	<u>323,598</u>	<u>276,979</u>
	<u>10,392,548</u>	<u>11,516,483</u>

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

	2016	2015
Production and engineering services	173	188
Administration and selling	<u>21</u>	<u>24</u>
	<u>194</u>	<u>212</u>

**4. OPERATING PROFIT**

The operating profit is stated after charging:

	2016	2015
	£	£
Other operating leases	6,000	9,872
Depreciation - owned assets	449,095	352,669
Loss on disposal of fixed assets	2,452	27,490
Auditors' remuneration	<u>9,500</u>	<u>9,500</u>
Directors' remuneration	547,877	420,770
Directors' pension contributions to money purchase schemes	<u>140,677</u>	<u>168,423</u>

The number of directors to whom retirement benefits were accruing was as follows:

Money purchase schemes	<u>5</u>	<u>5</u>
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Information regarding the highest paid director is as follows:

	2016	2015
	£	£
Emoluments etc	125,000	125,983
Pension contributions to money purchase schemes	<u>12,500</u>	<u>10,161</u>

**5. INTEREST PAYABLE AND SIMILAR CHARGES**

	2016	2015
	£	£
Bank interest	<u>7</u>	<u>155</u>

**Mech-Tool Engineering Limited**

**Notes to the Financial Statements - continued  
for the Year Ended 31 March 2016**

**6. TAXATION**

**Analysis of the tax charge**

The tax charge on the profit on ordinary activities for the year was as follows:

	2016 £	2015 £
Current tax:		
UK corporation tax	416,164	564,627
Overprovision in prior year	<u>(10,517)</u>	<u>(70,139)</u>
Total current tax	405,647	494,488
Deferred tax	<u>25,268</u>	<u>83,517</u>
Tax on profit on ordinary activities	<u><u>430,915</u></u>	<u><u>578,005</u></u>

**Reconciliation of total tax charge included in profit and loss**

The tax assessed for the year is lower than the standard rate of corporation tax in the UK. The difference is explained below:

	2016 £	2015 £
Profit on ordinary activities before tax	<u>3,400,773</u>	<u>3,643,870</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 20% (2015 - 21%)	680,155	765,213
Effects of:		
Capital allowances in excess of depreciation	(9,143)	(65,157)
Expenses not deductible for tax purposes	(31,862)	22,712
Research and development claim	(160,000)	(241,500)
Overprovision in previous years	(10,517)	(70,139)
Deferred tax charge	24,576	83,517
Tax effect of hedging gains/losses included in profit	<u>(62,294)</u>	<u>83,359</u>
Total tax charge	<u><u>430,915</u></u>	<u><u>578,005</u></u>

**Tax effects relating to effects of other comprehensive income**

	Gross £	2015 Tax £	Net £
Purchase of own shares	(1,000,000)	-	(1,000,000)
Movement on hedging reserve	<u>908,234</u>	<u>-</u>	<u>908,234</u>
	<u><u>(91,766)</u></u>	<u><u>-</u></u>	<u><u>(91,766)</u></u>

**Mech-Tool Engineering Limited**

**Notes to the Financial Statements - continued  
for the Year Ended 31 March 2016**

**7. HEDGING GAINS/LOSSES**

The Profit and Loss account includes unrealised gains or losses incurred through the hedging of future income in a foreign currency by use of forward contracts. In 2016 there was a £311,469 gain (2015: £396,950 loss). All other unrealised gains and losses on the forward contracts have been accounted for in Other Comprehensive Income.

The directors do not believe these unrealised gains or losses are as a result of the company's trading activities and as a result they have been separated from Operating Profit on the Profit and Loss account.

**8. TANGIBLE FIXED ASSETS**

	Improvements to property £	Plant and machinery £	Fixtures and fittings £
<b>COST</b>			
At 1 April 2015	797,714	2,011,692	539,005
Additions	284,798	166,482	93,125
Disposals	-	(58,843)	-
At 31 March 2016	<u>1,082,512</u>	<u>2,119,331</u>	<u>632,130</u>
<b>DEPRECIATION</b>			
At 1 April 2015	376,314	896,857	281,292
Charge for year	99,326	224,851	55,825
Eliminated on disposal	-	(52,887)	-
At 31 March 2016	<u>475,640</u>	<u>1,068,821</u>	<u>337,117</u>
<b>NET BOOK VALUE</b>			
At 31 March 2016	<u>606,872</u>	<u>1,050,510</u>	<u>295,013</u>
At 31 March 2015	<u>421,400</u>	<u>1,114,835</u>	<u>257,713</u>
	Motor vehicles £	Computer equipment £	Totals £
<b>COST</b>			
At 1 April 2015	50,545	228,520	3,627,476
Additions	2,415	60,656	607,476
Disposals	-	-	(58,843)
At 31 March 2016	<u>52,960</u>	<u>289,176</u>	<u>4,176,109</u>
<b>DEPRECIATION</b>			
At 1 April 2015	45,223	135,014	1,734,700
Charge for year	4,088	65,005	449,095
Eliminated on disposal	-	-	(52,887)
At 31 March 2016	<u>49,311</u>	<u>200,019</u>	<u>2,130,908</u>
<b>NET BOOK VALUE</b>			
At 31 March 2016	<u>3,649</u>	<u>89,157</u>	<u>2,045,201</u>
At 31 March 2015	<u>5,322</u>	<u>93,506</u>	<u>1,892,776</u>

**Mech-Tool Engineering Limited**

**Notes to the Financial Statements - continued  
for the Year Ended 31 March 2016**

**9. FIXED ASSET INVESTMENTS**

	Shares in group undertakings £
<b>COST</b>	
At 1 April 2015	126,000
Additions	<u>474,601</u>
At 31 March 2016	<u>600,601</u>
<b>NET BOOK VALUE</b>	
At 31 March 2016	<u>600,601</u>
At 31 March 2015	<u>126,000</u>

The company's investments at the Balance Sheet date in the share capital of companies include the following:

**Mech-Tool Korea Inc**

Country of incorporation: South Korea

Nature of business: manufacturing fire & blast related products

	%	2016	2015
	holding	£	£
Class of shares:			
Ordinary	100.00		
Aggregate capital and reserves		454,042	(185,496)
Profit for the year		<u>183,062</u>	<u>89,074</u>

**10. STOCKS**

	2016	2015
	£	£
Raw materials	<u>620,901</u>	<u>1,580,572</u>

Stock recognised in cost of sales during the year as an expense was £2,250,238 (2015: £3,093,125).

There were no impairment losses recognised in cost of sales against stock during the year or the previous year relating to stock provisions made against slow moving and obsolete stock.

**Mech-Tool Engineering Limited**

**Notes to the Financial Statements - continued  
for the Year Ended 31 March 2016**

**11. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2016	2015
	£	£
Trade debtors	3,160,586	6,949,825
Amounts recoverable on contract	5,632,503	1,857,016
Other debtors	6,262	322,193
Amount owed by group undertaking	1,266,312	1,789,619
Prepayments and accrued income	<u>388,761</u>	<u>395,282</u>
	<u><u>10,454,424</u></u>	<u><u>11,313,935</u></u>

**12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2016	2015
	£	£
Payments on account	778,582	5,722,269
Trade creditors	3,702,942	3,174,349
Amounts owed to group undertakings	458,437	1,000,000
Corporation tax	220,029	259,168
Taxation and social security	294,274	195,541
Other creditors	105,398	54,751
Foreign exchange contracts hedging liabilities	915,778	2,021,496
Accruals and deferred income	<u>610,891</u>	<u>709,238</u>
	<u><u>7,086,331</u></u>	<u><u>13,136,812</u></u>

**13. LEASING AGREEMENTS**

Minimum lease payments under non-cancellable operating leases fall due as follows:

	2016	2015
	£	£
Within one year	12,391	13,991
Between one and five years	<u>4,000</u>	<u>16,391</u>
	<u><u>16,391</u></u>	<u><u>30,382</u></u>

**14. FINANCIAL INSTRUMENTS**

	2016	2015
	£	£
Financial Assets		
Measured at amortised costs	4,821,921	9,456,919
Measured at fair value	5,632,503	1,857,016
Financial Liabilities		
Measured at amortised cost	5,656,250	10,660,607
Measured at fair value	915,778	2,021,496

**Mech-Tool Engineering Limited**

**Notes to the Financial Statements - continued  
for the Year Ended 31 March 2016**

**15. PROVISIONS FOR LIABILITIES**

	2016 £	2015 £
Deferred tax	<u>182,243</u>	<u>156,975</u>
		Deferred tax £
Balance at 1 April 2015		156,975
Accelerated capital allowances		<u>25,268</u>
Balance at 31 March 2016		<u>182,243</u>

**16. CALLED UP SHARE CAPITAL**

Allotted, issued and fully paid:			2016 £	2015 £
Number:	Class:	Nominal value:		
1,050,000	Ordinary	£1	<u>1,050,000</u>	<u>1,050,000</u>

Each ordinary share of £1 has attached to it full voting, dividend and capital distribution rights (including on winding up). The shares do not confer any rights to redemption.

**17. RESERVES**

	Retained earnings £
At 1 April 2015	6,880,473
Profit for the year	<u>2,969,858</u>
At 31 March 2016	<u>9,850,331</u>

Retained earnings - includes all current and prior period retained profits and losses.

Hedging reserve - includes all cumulative gains and losses through Other Comprehensive Income.

**18. ULTIMATE PARENT COMPANY**

The ultimate parent company is Mech-Tool Holdings Limited.

**19. CONTINGENT LIABILITIES**

At 31 March 2016 the company had contingent liabilities in respect of performance bonds at the balance sheet date amounting to £984,200 (2015: £1,194,486). No guarantees have ever been called in the history of the company.

**Mech-Tool Engineering Limited**

**Notes to the Financial Statements - continued  
for the Year Ended 31 March 2016**

**20. RELATED PARTY DISCLOSURES**

**Key management personnel of the entity or its parent (in the aggregate)**

Key management personnel remuneration totalled £695,743 (2015: £595,047)

**Other related parties**

	2016	2015
	£	£
Rent	<u>300,613</u>	<u>300,612</u>

**21. ULTIMATE CONTROLLING PARTY**

The company is controlled by M K and V Garner by virtue of their shareholding in the holding company Mech-Tool Holdings Limited.

**22. TRANSITION TO FRS102**

The adoption of FRS102 has seen the following adjustments as at 1 April 2014:-

Debtors were reduced by £681,219, Creditors increased by £307,212 and reserves were reduced by £988,431 due to hedge accounting for the Forward Contracts.

Liabilities were increased and reserves decreased by £74,920 due to the introduction of a holiday pay accrual.

Adjustments made to the 2015 accounts were:-

Debtors were increased by £1,065,524, liabilities increased by £1,714,284 and reserves reduced by £648,760 due to hedge accounting of forward contracts.

Liabilities were increased and reserves decreased by £75,149 due to the introduction of a holiday pay accrual.



**Mech-Tool Engineering Limited**

**Reconciliation of Equity  
1 April 2014  
(Date of Transition to FRS 102)**

	Notes	UK GAAP £	Effect of transition to FRS 102 £	FRS 102 £
<b>FIXED ASSETS</b>				
Tangible assets		1,238,094	-	1,238,094
Investments		<u>126,000</u>	<u>-</u>	<u>126,000</u>
		<u>1,364,094</u>	<u>-</u>	<u>1,364,094</u>
<b>CURRENT ASSETS</b>				
Stocks		1,203,622	-	1,203,622
Debtors		10,339,816	(681,219)	9,658,597
Cash at bank and in hand		<u>1,546,580</u>	<u>-</u>	<u>1,546,580</u>
		<u>13,090,018</u>	<u>(681,219)</u>	<u>12,408,799</u>
<b>CREDITORS</b>				
Amounts falling due within one year		(8,360,929)	(382,132)	(8,743,061)
<b>NET CURRENT ASSETS</b>		<u>4,729,089</u>	<u>(1,063,351)</u>	<u>3,665,738</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		6,093,183	(1,063,351)	5,029,832
<b>PROVISIONS FOR LIABILITIES</b>		<u>(73,458)</u>	<u>-</u>	<u>(73,458)</u>
<b>NET ASSETS</b>		<u>6,019,725</u>	<u>(1,063,351)</u>	<u>4,956,374</u>
<b>CAPITAL AND RESERVES</b>				
Called up share capital		1,050,000	-	1,050,000
Hedging reserve		-	(908,234)	(908,234)
Retained earnings		<u>4,969,725</u>	<u>(155,117)</u>	<u>4,814,608</u>
<b>SHAREHOLDERS' FUNDS</b>		<u>6,019,725</u>	<u>(1,063,351)</u>	<u>4,956,374</u>

The notes form part of these financial statements

**Mech-Tool Engineering Limited**

**Reconciliation of Equity - continued**  
**31 March 2015**

	Notes	UK GAAP £	Effect of transition to FRS 102 £	FRS 102 £
<b>FIXED ASSETS</b>				
Tangible assets		1,892,776	-	1,892,776
Investments		<u>126,000</u>	<u>-</u>	<u>126,000</u>
		<u>2,018,776</u>	<u>-</u>	<u>2,018,776</u>
<b>CURRENT ASSETS</b>				
Stocks		1,580,572	-	1,580,572
Debtors		10,248,411	1,065,524	11,313,935
Cash at bank and in hand		<u>6,310,977</u>	<u>-</u>	<u>6,310,977</u>
		<u>18,139,960</u>	<u>1,065,524</u>	<u>19,205,484</u>
<b>CREDITORS</b>				
Amounts falling due within one year		<u>(11,518,992)</u>	<u>(1,617,820)</u>	<u>(13,136,812)</u>
<b>NET CURRENT ASSETS</b>		<u>6,620,968</u>	<u>(552,296)</u>	<u>6,068,672</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		8,639,744	(552,296)	8,087,448
<b>PROVISIONS FOR LIABILITIES</b>		<u>(156,975)</u>	<u>-</u>	<u>(156,975)</u>
<b>NET ASSETS</b>		<u>8,482,769</u>	<u>(552,296)</u>	<u>7,930,473</u>
<b>CAPITAL AND RESERVES</b>				
Called up share capital		1,050,000	-	1,050,000
Retained earnings		<u>7,432,769</u>	<u>(552,296)</u>	<u>6,880,473</u>
<b>SHAREHOLDERS' FUNDS</b>		<u>8,482,769</u>	<u>(552,296)</u>	<u>7,930,473</u>

The notes form part of these financial statements

**Mech-Tool Engineering Limited**

**Reconciliation of Profit  
for the Year Ended 31 March 2015**

	<b>UK GAAP £</b>	<b>Effect of transition to FRS 102 £</b>	<b>FRS 102 £</b>
<b>TURNOVER</b>	35,333,004	-	35,333,004
Cost of sales	<u>(28,284,186)</u>	<u>-</u>	<u>(28,284,186)</u>
<b>GROSS PROFIT</b>	7,048,818	-	7,048,818
Administrative expenses	<u>(3,011,144)</u>	<u>(229)</u>	<u>(3,011,373)</u>
<b>OPERATING PROFIT</b>	4,037,674	(229)	4,037,445
Unrealised profit/loss on foreign exchange movements on hedging contracts	-	(396,950)	(396,950)
Interest receivable and similar income	3,530	-	3,530
Interest payable and similar charges	<u>(155)</u>	<u>-</u>	<u>(155)</u>
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	4,041,049	(397,179)	3,643,870
Tax on profit on ordinary activities	<u>(578,005)</u>	<u>-</u>	<u>(578,005)</u>
<b>PROFIT FOR THE FINANCIAL YEAR</b>	<u><u>3,463,044</u></u>	<u><u>(397,179)</u></u>	<u><u>3,065,865</u></u>

The notes form part of these financial statements