

**Company Registration No. 05949781**

**DavyMarkham Limited**

**Annual Report and Financial  
Statements**

**15 month period ended 30 June 2015**

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# **DAVYMARKHAM LIMITED**

## **ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE 15 MONTH PERIOD ENDED 30 JUNE 2015**

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# **DAVYMARKHAM LIMITED**

## **Annual report and financial statements for the 15 month period ended 30 June 2015**

### **Officers and professional advisers**

#### **Directors**

M Robotham  
S Lord  
G Scott  
J Watson  
M Clark  
Hughes Armstrong Industries Limited

#### **Registered Office**

Prince of Wales Road  
Darnall  
Sheffield  
South Yorkshire  
S9 4EX

#### **Bankers**

Barclays  
PO Box 1385  
2 Arena Court  
Sheffield  
S9 2WU

#### **Solicitors**

Nabarro LLP  
1 South Quay  
Victoria Quays  
Sheffield  
S2 5SY

#### **Auditor**

Deloitte LLP  
Chartered Accountants and Statutory Auditor  
Leeds  
LS1 2AL

## DAVYMARKHAM LIMITED

### STRATEGIC REPORT

The Directors submit their strategic report and the audited financial statements of DavyMarkham Limited for the 15 month period ended 30 June 2015. The company's accounting reference date was changed to 30 June during the year in line with the new parent company.

#### Principal activities and review of business

The company's principal activity is the design, manufacture, fabrication and machining of heavy and complex engineering components and assemblies.

The company's key financial indicators during the period were as follows:

	15 month period ended 30 June 2015 £'000	Year ended 31 March 2014 £'000
Turnover	11,618	15,710
Operating loss	(3,343)	(1,259)
Operating margin %	(28.8%)	(8.0%)

The considerable and growing uncertainty over the future of the company during 2014 undermined customer confidence with the loss of orders and turnover. The situation started to improve following the change of ownership on 17 September 2014 when DavyMarkham Group Limited a company incorporated in England and Wales acquired 87.5% of the issued share capital of the company from HDO (UK) Limited. For much of the period the company's profitability was undermined by the combination of lower sales and high fixed costs.

#### Results and dividends

The loss for the year, after taxation, amounted to £3,385,000 (2014: £1,259,000). The directors do not recommend the payment of any dividends (2014: Nil).

#### Future developments

Following a challenging 15 month period due to the effects of depressed Oil & Gas, Mining and Steel sectors coupled to a depleted business development function the directors anticipate a significant and progressive improvement in the company's trading performance going forward. This will be achieved through improved operational efficiency, increased business development activity through the recruitment of sector specific business development directors and the anticipated increased activity within a number of key sectors including Hydro, Mining, and Nuclear & Defence. Furthermore, due to its unique capability the company is well positioned to benefit from a number of major strategic projects which are forecast to get the go ahead in this coming period.

#### Significant post balance sheet events

There is a proposal at the forthcoming annual general meeting of DavyMarkham Limited to convert three million pounds of capital loan to DavyMarkham Limited into an equivalent amount of preference shares. DavyMarkham Group Limited have agreed to this request.

#### Principal risks and uncertainties

Normal uncertainties surrounding world markets could affect volumes of sales and the company's turnover and profitability. Other external factors could affect the company including both customer and competitor behaviour.

The company's results could also be affected by internal factors such as failure to retain or recruit staff or machine reliability, which could impact on delivery schedules.

## DAVYMARKHAM LIMITED

### STRATEGIC REPORT (continued)

The company is exposed through its operations to the following financial risks:

- **Exchange risk**

The Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates. The majority of customers are invoiced in Sterling or in the currency in which components are sourced but it is not always possible to fully match currencies.

- **Liquidity risk**

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

Further details regarding liquidity risk can be found in the Statement of accounting policies in the financial statements.

- **Cash flow risk**

There is a risk that the Company could incur costs on major projects and then fail to receive payments due to issues on the project. To mitigate the risk projects are negotiated with payment terms that ensure that funds are received throughout the project cycle as milestones are achieved.

- **Price risk**

The Company is exposed to volatile raw material prices. To address this risk the company has reduced the validity period for quotations to 30 days

#### **Going concern**

The company reports a loss for the period of £3,385,000 (2014: £1,259,000) and as at 30 June 2015 the company had net current liabilities of £3,072,000 (2014: £318,000) and net liabilities of £3,055,000 (2014: net assets of £330,000). However, following the change of ownership noted above, DavyMarkham Limited has access to increased financing to support its planned turnaround. DavyMarkham Group Limited has committed a facility to support the business' cash flow requirements for a minimum period of 12 months from the approval of these financial statements ("the future period"). This injection of cash will allow the company to manage present working capital requirements and to meet the obligations to creditors.

The company's forecasts and projection, taking into account reasonable possible changes in trading performance and the securing of further new business, show that the company will be able to operate within the level of its current committed facilities. This is based on number of assumptions including one that the company has the ability to win profitable and cash generative contracts in the forecast period. It is also dependant on the continued financial support of Hughes Armstrong Industries Limited Partnership.

The directors having considered the detailed cash projections and underlying assumptions have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Approved by the Board of Directors and signed on behalf of the Board



S. Lord  
Director

21 December 2015

# **DAVYMARKHAM LIMITED**

## **DIRECTORS' REPORT**

The company's principal activities, results and dividends and principal risk and uncertainties are presented in the strategic report.

### **Directors**

The directors who held office during the period and subsequently were as follows:

C Sekaran (resigned 4 January 2015)  
S Eragam (resigned 29 January 2015)  
M Robotham (appointed 2 October 2014)  
S Lord (appointed 2 October 2014)  
G Scott (appointed 2 October 2014)  
J Watson (appointed 2 October 2014)  
M Clark (appointed 30 June 2015)  
P Wardle (appointed 2 October 2014 and resigned 6 October 2014)  
R Sitaraman (resigned 11 June 2014)  
Hughes Armstrong Industries Limited (appointed 2 October 2014)

### **Disabled employees**

Disabled persons are employed by the company when they appear to be suited to a particular vacancy, having regard to their particular aptitudes and abilities.

Where existing employees become disabled, it is the company's policy whenever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to disabled employees whenever appropriate.

### **Donations**

During the period, the company made charitable donations totalling £nil (2014: £nil).

### **Going Concern**

Details of the Going Concern assumption can be found in the strategic report on page 3 and form part of this report by cross reference.

### **Dividends**

Details of dividends proposed during the year can be found in the strategic report on page 2 and form part of this report by cross reference.

# DAVYMARKHAM LIMITED

## DIRECTORS' REPORT (continued)

### Supplier Payment Policy

The company's policy is to settle terms of payment with suppliers when agreeing the terms of each transaction, ensure that suppliers are made aware of the terms of payment and abide by the terms of payment. Trade creditors of the company at 30 June 2015 were equivalent to 54 days (2014: 50 days) days' purchases, based on the average daily amount invoiced by suppliers during the period.

### Fixed Assets

In the opinion of the directors and on the basis of a market valuation carried out in 2013, the current open market value of the Group's interests in plant and machinery is significantly more than the book value.

### Provision of information to auditor

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provision of S418 of the Companies Act 2006.

Deloitte LLP have indicated their willingness to be reappointed for another term and appropriate arrangements have been put in place for them to be deemed reappointed as auditor at the forthcoming Annual General Meeting.

Approved by the Board of Directors and signed on its behalf by



S Lord  
Director

21 December, 2015

## **DAVYMARKHAM LIMITED**

### **DIRECTORS' RESPONSIBILITIES STATEMENT**

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 period. 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;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- 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 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 may differ from legislation in other jurisdictions.



## **Independent auditor's report to the members of DavyMarkham Limited**

We have audited the financial statements of DavyMarkham Limited for the 15 month period ended 30 June 2015 which comprise of the Profit and Loss Account, the Balance Sheet, the Cashflow statement and the related notes 1 to 21. 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).

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 auditor**

As explained more fully in the Directors' Responsibilities Statement, 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 have 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 30 June 2015 and of its loss for the 15 month period 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 Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

### **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.

*Matthew Hughes*

Matthew Hughes BSc (Hons) ACA  
for and on behalf of Deloitte LLP  
Chartered Accountants and Statutory Auditor  
Leeds, UK,  
22<sup>nd</sup> December 2015

# DAVYMARKHAM LIMITED

## PROFIT AND LOSS ACCOUNT

For the 15 month period ended 30 June 2015

	Notes	15 month period ended 30 June 2015 £'000	Year ended 31 March 2014 £'000
Turnover	2	11,618	15,710
Cost of sales		(13,417)	(15,588)
<b>Gross (loss) / profit</b>		<b>(1,799)</b>	<b>122</b>
Administrative expenses		(1,544)	(1,381)
<b>Operating loss</b>	3	<b>(3,343)</b>	<b>(1,259)</b>
Finance charges (net)	6	(42)	-
<b>Loss on ordinary activities before taxation</b>		<b>(3,385)</b>	<b>(1,259)</b>
Tax on loss on ordinary activities	7	-	-
<b>Loss for the financial period/year</b>	17	<b>(3,385)</b>	<b>(1,259)</b>

The loss and turnover for both the period and prior year arises from continuing operations.

The company has no recognised gains or losses other than those included in the results above. Accordingly, a statement of total recognised gains and losses is not presented.

The accompanying notes are integral part of this profit and loss account.

# DAVYMARKHAM LIMITED

## BALANCE SHEET

As at 15 month period ended 30 June 2015

	Notes	30 June 2015 £'000	31 March 2014 £'000
<b>Fixed assets</b>			
Tangible fixed assets	8	502	648
		<u>502</u>	<u>648</u>
<b>Current assets</b>			
Stocks	9	110	1,076
Debtors	10	2,441	3,477
Cash at bank and in hand		257	524
		<u>2,808</u>	<u>5,077</u>
<b>Creditors: amounts falling due within one year</b>	11	(5,880)	(5,395)
<b>Net current liabilities</b>		<u>(3,072)</u>	<u>(318)</u>
<b>Total assets less current liabilities</b>		<u>(2,570)</u>	<u>330</u>
Creditors: amounts falling due after more than one year	12	(485)	-
<b>Net (liabilities) / assets</b>		<u>(3,055)</u>	<u>330</u>
<b>Capital and reserves</b>			
Called up share capital	14	8,822	8,822
Profit and loss account	17	(11,877)	(8,492)
<b>Total shareholders' (deficit) / funds</b>	17	<u>(3,055)</u>	<u>330</u>

The financial statements of DavyMarkham Limited registered number 05949781 on pages 8 to 22 were approved by the Board of Directors and authorised for issue on 21 December 2015.

The accompanying notes are an integral part of this balance sheet.

Signed on behalf of the Board of Directors



Stephen Lord  
Director

# DAVYMARKHAM LIMITED

## CASHFLOW STATEMENT

For the 15 month period ended 30 June 2015

	Note	15 month period ended 30 June 2015 £000	Year ended 31 March 2014 £000
Net cash outflow from operating activities	20	(4,084)	(923)
Returns on investments and servicing of finance	21	(42)	-
Acquisition and disposals	21	(24)	(3)
Financial investment	21	3,883	537
Decrease in cash in the period/year		<u>(267)</u>	<u>(389)</u>

### Reconciliation of net cash flow to movement in net funds

	15 month period ended 30 June 2015 £000	Year ended 31 March 2014 £000
Decrease in cash	(267)	(389)
Net funds at the beginning of the period/year	<u>524</u>	<u>913</u>
Net funds at the end of the period/year	<u>257</u>	<u>524</u>

The accompanying notes are an integral part of this cashflow statement.

# DAVYMARKHAM LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

15 month period ended 30 June 2015

### 1. Accounting policies

#### Basis of accounting

The financial statements have been prepared on a going concern basis (as set out in the Directors' Report) and on an historical cost convention and in accordance with applicable United Kingdom financial reporting and accounting standards. The particular accounting policies, all of which have been applied consistently throughout the period and the preceding year, are set out below.

#### Accounting period

The company's accounting reference date was changed to 30 June during the period in line with the new parent company. The Company maintained a 52 or 53 week fiscal year ending on the Saturday nearest to its accounting reference date in each year. In fiscal year 2015 this date was 28 June 2015, this being a 78 week year (fiscal year 2014: 30 March 2014, 52 week year.) For convenience purposes, the Company continues to date its financial statements as of 30 June in line with its accounting reference date.

#### Going concern

The company reports a loss for the period of £3,385,000 (2014: £1,259,000) and as at 30 June 2015 the company had net current liabilities of £3,072,000 (2014: £318,000) and net liabilities of £3,055,000 (2014: net assets of £330,000). However, following the change of ownership noted above, DavyMarkham Limited has access to increased financing to support its planned turnaround. DavyMarkham Group Limited has committed a facility to support the business' cash flow requirements for a minimum period of 12 months from the approval of these financial statements ("the future period"). This injection of cash will allow the company to manage present working capital requirements and to meet the obligations to creditors.

The company's forecasts and projection, taking into account reasonable possible changes in trading performance and the securing of further new business, show that the company will be able to operate within the level of its current committed facilities. This is based on number of assumptions including one that the company has the ability to win profitable and cash generative contracts in the forecast period. It is also dependant on the continued financial support of Hughes Armstrong Industries Limited Partnership.

The directors having considered the detail cash projections and underlying assumptions have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

#### Revenue recognition

Revenue is recognised to the extent that the company obtains the right to consideration in exchange for its performance. Revenue is measured at the fair value of the consideration received or receivable, excluding discounts, rebates, VAT and other sales taxes and duty.

#### Long-term contracts

Long term contracts are valued at cost, including production overheads, plus attributable profit less foreseeable losses. Attributable profit is included when the outcome of a contract can be assessed with reasonable certainty. The value of long term contracts is accounted for within turnover and the excess of this value over payments received on account is included in debtors as "Amounts recoverable on contracts". Payments received on account in excess of this value are included in creditors as payments on account.

Where the outcome of a contract cannot be estimated reliably, contract revenue is recognised on a percentage completion basis, assessed on the percentage of payroll costs incurred to the extent that it is recoverable. Where it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

# DAVYMARKHAM LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

15 month period ended 30 June 2015

### 1. Accounting policies (continued)

#### Other contracts

Other contracts are recognised as revenue when the significant risk and rewards of ownership of the goods have passed to the buyer, which is usually on despatch of the goods.

#### Depreciation

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, less estimated residual value based on prices prevailing at the date of the acquisition of each asset evenly over its expected useful life, as follows:

Plant and machinery	- 3% to 33% per annum
Fixtures and fittings	- 10% to 20% per annum
Computer equipment	- 33% per annum
Buildings	- 10% per annum

#### Tangible assets

The company's tangible fixed assets are included in the balance sheet at cost less accumulated depreciation and accumulated impairment losses. Such cost includes costs directly attributable to making the asset capable of operating as intended.

The carrying values of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

#### Stocks

Stocks are stated at the lower of cost and net realisable value. Cost includes all costs incurred in bringing each product to its present location and condition, as follows:

Raw materials, consumables and goods for resale	- purchase cost on a first-in, first-out basis.
Work in progress and finished goods	- cost of direct materials and labour plus attributable overheads based on a normal level of activity.

Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

#### Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exception.

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

# DAVYMARKHAM LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

15 month period ended 30 June 2015

### 1. Accounting policies (continued)

#### Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

#### Leasing and purchase commitments

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term.

#### Pensions

The company operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the company. Contributions to defined contribution schemes (note 5) are recognised in the profit and loss account in the period in which they become payable.

#### Borrowings

Interest bearing loans are recorded at the proceeds received, net of direct issue costs. Finance charges are accounted for on an accruals basis in the profit and loss account using the sum of the digits method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

### 2. Turnover

An analysis of turnover by geographical market is given below:

	15 month period ended 30 June 2015 £'000	Year ended 31 March 2014 £'000
United Kingdom	6,300	11,172
North and South America	4,301	4,428
Rest of Europe and Turkey	354	-
Australia	663	110
	<u>11,618</u>	<u>15,710</u>

## DAVYMARKHAM LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

15 month period ended 30 June 2015

#### 3. Operating loss

Operating loss on ordinary activities before taxation is stated after charging:

	15 month period ended 30 June 2015 £'000	Year ended 31 March 2014 £'000
Depreciation of owned fixed assets	170	182
Payments under operating leases		
- land and buildings	444	689
Fees payable to the company's auditors for the audit of the company's annual financial statements	20	20
Fees payable to the company's auditor for other services to the group:		
- Tax services	10	10



# DAVYMARKHAM LIMITED

## NOTES TO THE FINANCIAL STATEMENTS 15 month period ended 30 June 2015

### 4. Directors' remunerations

	15 month period ended 30 June 2015 £'000	Year ended 31 March 2014 £'000
Emoluments, excluding pension contributions	283	-
Contributions to pension scheme	63	-
	<u>346</u>	<u>-</u>

For the 15 month period ended 30 June 2015, three (31 March 2014: No) directors were accruing benefits under the defined contribution pension scheme.

Three of the statutory directors in the period, C Sekaran, S Eragam and R Sitaraman were remunerated by the previous ultimate controlling party, IVRCL Infrastructures and Projects Limited. Two of the statutory directors, S Lord and P Wardle were remunerated by the new group parent company, Hughes Armstrong Industries Limited. No recharge has been made to the company for the above directors as it is not possible to allocate a portion of their time appropriately. The remaining four directors were remunerated by DavyMarkham Limited.

	15 month period ended 30 June 2015 £'000	Year ended 31 March 2014 £'000
<b>Remuneration of the highest paid director</b>		
Emoluments	77	-
Company contributions to money purchase schemes	31	-
	<u>108</u>	<u>-</u>

# DAVYMARKHAM LIMITED

## NOTES TO THE FINANCIAL STATEMENTS 15 month period ended 30 June 2015

### 5. Staff costs

The average monthly number of employees (including executive directors) was:

	15 month period ended 30 June 2015 £'000	Year ended 31 March 2014 £'000
Wages and salaries	5,485	5,228
Social security costs	531	529
Other pension costs	481	423
	<u>6,497</u>	<u>6,180</u>

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

	15 month period ended 30 June 2015 £'000	Year ended 31 March 2014 £'000
Administration	14	18
Factory	140	165
	<u>154</u>	<u>183</u>

'Other pension costs' includes only those items included within operating costs. Items reported elsewhere have been excluded.

### 6. Finance charges (net)

	15 month period ended 30 June 2015 £'000	Year ended 31 March 2014 £'000
Interest payable and similar charges	42	-
	<u>42</u>	<u>-</u>

# DAVYMARKHAM LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

15 month period ended 30 June 2015

### 7. Tax on loss on ordinary activities

	15 month period ended 30 June 2015 £'000	Year ended 31 March 2014 £'000
UK corporation tax	-	-
<b>Current tax</b>	-	-

#### Factors affecting tax charge for the period

The tax assessed for the period differs from the average standard rate of corporation tax in the UK 20.8% (2014: 23.0%). The differences are explained below:

	15 month period ended 30 June 2015 £'000	Year ended 31 March 2014 £'000
Loss on ordinary activities before tax	(3,385)	(1,259)
Loss on ordinary activities multiplied by average standard rate of corporation tax in the UK of 20.8% (2014: 23.0%)	(704)	(290)
Effects of:		
Losses not utilised	648	311
Disallowable expenses and non-taxable income	27	7
Short term timing differences	(7)	(9)
Capital allowances less than/(in excess) of depreciation	36	(19)
<b>Current tax position for the period</b>	-	-

The company's future tax charge will be affected by the changes in the UK corporation tax rate. The reduction in the main rate of corporation tax from 23% to 21% effective from 1 April 2014 to 20% from 1 April 2015 has been substantially enacted. Accordingly, deferred tax balances have been revalued to the lower rate of 20% in these financial statements.

In the July 2015 Budget, it was announced that the main rate of corporation tax will reduce to 19% with effect from 1 April 2017 and to 18% from 1 April 2020. As these changes were not substantively enacted by 30 April 2015, they are not therefore reflected in these accounts. We expect to include an assessment of the impact of these changes on the Group's deferred tax assets and liabilities in our accounts for the year ended 30 April 2016.

# DAVYMARKHAM LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

15 month period ended 30 June 2015

### 8. Tangible fixed assets

	Plant and machinery £'000	Fixtures and fittings £'000	Computer equipment £'000	Buildings £'000	Total £'000
<b>Cost</b>					
At 1 April 2014	1,921	82	23	16	2,042
Additions	-	-	24	-	24
At 30 June 2015	1,921	82	47	16	2,066
<b>Depreciation</b>					
At 1 April 2014	1,284	80	23	7	1,394
Provided for the period	166	2	-	2	170
At 30 June 2015	1,450	82	23	9	1,564
<b>Net book value</b>					
At 15 30 June 2015	471	-	24	7	502
At 31 March 2014	637	2	-	9	648

### 9. Stocks

	30 June 2015 £'000	31 March 2014 £'000
Work in progress	110	1,076

There is no material difference between the balance sheet value of stocks and their replacement value.

### 10. Debtors

	30 June 2015 £'000	31 March 2014 £'000
<b>Amounts falling due within one year:</b>		
Trade debtors	1,384	1,668
Amounts recoverable on long-term contracts	616	853
Other debtors	123	138
Prepayments and accrued income	318	281
Amounts owed from related undertakings	-	537
	2,441	3,477

# DAVYMARKHAM LIMITED

## NOTES TO THE FINANCIAL STATEMENTS 15 month period ended 30 June 2015

### 11. Creditors: amounts falling due within one year

	30 June 2015 £'000	31 March 2014 £'000
Trade creditors	1,508	1,637
Payments on account	92	1,735
Other creditors	381	764
Other taxes and social security costs	81	76
Bank loans	243	-
Accruals and deferred income	420	646
Loan from parent undertaking	3,155	537
	<u>5,880</u>	<u>5,395</u>

### 12. Creditors: amounts falling due after more than one year

	15 month period ended 30 June 2015 £'000	Year ended 31 March 2014 £'000
Bank loans	485	-
	<u>485</u>	<u>-</u>

The bank loans are secured on plant and machinery.

Borrowings are repayable as follows:

	30 June 2015 £'000	31 March 2014 £'000
<b>Bank loans</b>		
Between one and two years	287	-
Between two and five years	198	-
	<u>243</u>	<u>-</u>
On demand or within one year	727	-
	<u>727</u>	<u>-</u>

# DAVYMARKHAM LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

15 month period ended 30 June 2015

### 13. Deferred tax

	Provided		Unprovided	
	30 June 2015 £'000	31 March 2014 £'000	30 June 2015 £'000	31 March 2014 £'000
Accelerated capital allowances	-	-	199	112
Other timing differences	-	-	-	7
Tax losses	-	-	3,056	2,485
Deferred tax asset	-	-	3,255	2,604

Deferred tax asset has not been recognised due to the shortage of expected taxable profits arising in the future

### 14. Called-up share capital

	30 June 2015 £'000	31 March 2014 £'000
Allotted, called up and fully paid 8,822,001 ordinary shares of £1 each	8,822	8,822

### 15. Commitments under operating leases

Annual commitments under non-cancellable operating leases are as follows:

	30 June 2015 £'000	31 March 2014 £'000
Commitments which expire: < 1 year	7	1
Between two and five years	3	10
More than five years	730	746
<b>Total</b>	<b>740</b>	<b>757</b>

# DAVYMARKHAM LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

15 month period ended 30 June 2015

### 16. Commitments

#### a) Capital

The company had no contracted capital expenditure at 15 month period ended 30 June 2015 (31 March 2014: £nil).

#### (b) Pensions

The Company operates a defined contribution benefit scheme for all qualifying employees with Scottish Widows. The assets of the scheme are independently administered under the control of Scottish Widows.

The total cost charged to income of £481k (2014 £423k) represents contributions payable to the scheme by the company at the rates specified in the rules of the scheme. As at 30 June 2015, contributions of £40k due in respect of the current reporting period had not been paid over to the scheme.

### 17. Reconciliation of movement in shareholders' (deficit)/funds

	Share capital £'000	Profit and loss account £'000	Total 2015 £'000	Year ended 31 March 2014 £'000
At 1 April 2014 and 2013	8,822	(8,492)	330	(2,986)
Share issues	-	-	-	4,575
Loss for the period/year	-	(3,385)	(3,385)	(1,259)
At 15 month period ended 30 June 2015	8,822	11,877	(3,055)	330

### 18. Related party transactions

During the year the Company made sales to BCI Brewchem Ltd worth £58,500 (2014: nil). BCI Brewchem is a majority owned subsidiary of Advanced Process Engineering Limited, which in turn is a 100% owned subsidiary of Hughes Armstrong Industries Limited Partnership. The gross balance of £70,200 was in trade debtors at 30<sup>th</sup> June 2015 and was paid post year-end. The Company was charged £45,000 in management fees by Hughes Armstrong Industries Limited in the period, of which a gross balance of £6,000 was in trade creditors at 30<sup>th</sup> June 2015 and paid post year-end. The Company also received £3,155,000 (2014: nil) in net funding from DavyMarkham Group Limited, which again is a 100% owned subsidiary of Hughes Armstrong Industries Limited Partnership. This funding was provided on an interest-free basis with no fixed repayment dates. As the above funding only commenced during the year the closing balance was also £3,155,000. (2014: £nil)

### 19. Parent undertaking and controlling party

The company was until 16 September 2014 a wholly owned subsidiary of HDO (UK) Ltd, a company incorporated in England and Wales. The smallest group in which DavyMarkham Ltd consolidates was HDO (UK) Ltd and the largest group was IVRCL Infrastructures and Projects Limited which is incorporated in India and the financial statements are publicly available from M-22/3 RT, Vijaynagar Colony, Hyderabad – 500 057.

In the opinion of the directors IVRCL Infrastructures and Projects Limited which is incorporated in India, was the company's ultimate parent company and ultimate controlling party until 16 September 2014.

At 17 September 2014 DavyMarkham Group Limited, a company incorporated in England and Wales acquired 87.5% of the issued share capital of the company from HDO (UK) Limited. The company's ultimate parent company and ultimate controlling party from 15 May, 2015, was Hughes Armstrong Industries Limited Partnership.

# DAVYMARKHAM LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

15 month period ended 30 June 2015

### 20. Reconciliation of operating loss to operating cash flows

	15 month period ended 30 June 2015 £'000	Year ended 31 March 2014 £'000
Operating loss	(3,343)	(1,259)
Depreciation	170	182
Decrease/(increase) in stocks	966	(916)
Decrease in debtors	499	1,068
(Decrease)/increase in creditors	(2,376)	2,000
<b>Net cash (outflow) from operating activities</b>	<b>(4,084)</b>	<b>(923)</b>

### 21. Analysis of cash flows

	15 month period ended 30 June 2015 £'000	Year ended 31 March 2014 £'000
<b>Returns on investments and servicing of finance</b>		
Interest paid	(42)	-
<b>Net cash outflow</b>	<b>(42)</b>	<b>-</b>
<b>Capital expenditure and financial investment</b>		
Purchase of tangible fixed assets	(24)	(3)
<b>Net cash outflow</b>	<b>(24)</b>	<b>(3)</b>
<b>Financing</b>		
Proceeds from issue of shares	-	4,575
Receipt/(repayment) of a loan from parent undertaking	3,155	(4,038)
Receipt of a secured bank loan	728	-
<b>Net cash inflow</b>	<b>3,883</b>	<b>537</b>