

SMD Robotics Limited

Report and Financial Statements

31 December 2017



Directors

R H Howarth

J Chen

D Zhu

H Zhang

Secretary

R H Howarth

Independent Auditors

Ernst & Young LLP

Citygate

St James' Boulevard

Newcastle upon Tyne

NE1 4JD

Bankers

Citibank Europe plc, UK Branch

Citigroup Centre

Canada Square

Canary Wharf

London

E14 5LB

Barclays Bank Plc

City Office

71 Grey Street

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NE99 1JP

HSBC Plc

Maingate

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Gateshead

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Registered Office

Turbinia Works

Davy Bank

Wallsend

Tyne and Wear

NE28 6UZ

Registered No. 07057310

Directors' report

The directors present their report and financial statements for the year ended 31 December 2017.

Results and dividends

The profit for the year after taxation amounted to £3,750 (2016 – £71,678). The directors do not recommend a final dividend (2016 – £nil).

Principal activities

The principal activity of the Company is the provision of technical support to remotely operated vehicles.

Going concern

The directors have prepared the financial statements on a going concern basis on the grounds that the Company expects to meet its liabilities as they fall due. The directors have reached this conclusion after undertaking a detailed review of the Company's trading and cash flow forecasts and the financial facilities expected to be available to the Company from its investors, bankers and other stakeholders. In making this assessment the directors considered the relatively strong balance sheet of the Company as well the Company continuing to generate profits. In addition to a letter of support received from the CRRC Group, the directors are satisfied the Company can continue as a going concern.

Directors

The directors who served the Company during the year and up to the date of approval of the Report and Financial Statements were as follows:

R H Howarth	
J Chen	(appointed 7 July 2017)
D Zhu	
H Zhang	(appointed 13 June 2018)
A Hodgson	(resigned 24 October 2017)
W Wang	(resigned 7 July 2017)

Disclosure of information to the 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, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the Company's auditor, each director has taken all the steps that they are obliged to take as directors in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Special provisions relating to small companies

The Company has taken exemption from the preparation of a strategic report under section 414B of the Companies Act 2006.

Auditors

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

By order of the Board



Richard Howarth
Secretary

24th September 2018

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), including Financial Reporting Standard 101 'Reduced Disclosure Framework'. 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 judgments and 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 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.

Independent auditor's report to the members of SMD Robotics Limited

Opinion

We have audited the financial statements of SMD Robotics Limited for the year ended 31 December 2017 which comprise the Income Statement, Statement of Comprehensive Income, Statement of Changes in Equity, Balance Sheet and the related notes 1 to 14, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the statement of directors' responsibilities on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an 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.



Sandra Thompson (Senior statutory auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor

Newcastle upon Tyne

25 September 2018

Income statement

for the year ended 31 December 2017

	Note	2017 £	2016 £
Revenue	4	70,919	357,976
Cost of sales		(57,491)	(286,155)
Gross profit		13,428	71,821
Administration expenses		(9,678)	(143)
Profit before tax	5	3,750	71,678
Tax	6	-	-
Profit for the year		3,750	71,678

All amounts relate to continuing activities.

Statement of comprehensive income

There is no recognised other comprehensive income other than the profit attributable to the shareholders of the company of £3,750 in the year ended 31 December 2017 (2016 profit of £71,678 and capital contribution of £642,634).

Statement of changes in equity

for the year ended 31 December 2017

	Share capital £	Retained earnings £	Total equity £
At 1 January 2016	1	(538,579)	(538,578)
Profit for the year	-	71,678	71,678
Capital contribution	-	642,634	642,634
At 31 December 2016	1	175,733	175,734
Profit for the year	-	3,750	3,750
At 31 December 2017	1	179,483	179,484

Balance sheet

at 31 December 2017

	Note	2017 £	2016 £
Fixed assets			
Intangible assets	7	120,433	-
Current assets			
Debtors amounts falling due within one year	8	70,919	54,502
Cash	9	1,201	121,232
		72,120	175,734
Creditors: amounts falling due within one year	10	(13,069)	-
Net current assets		59,051	175,734
Net assets		179,484	175,734
Equity			
Share capital	11	1	1
Retained earnings		179,483	175,733
Total equity		179,484	175,734

The financial statements were prepared under special provisions for small entities and approved by the Board of Directors on 24th September 2018 and signed on its behalf by



Richard Howarth

Director

Notes to the financial statements

for the year ended 31 December 2017

1. General information and statement of compliance with IFRS

The financial statements of SMD Robotics Limited (the "Company") for the year ended 31 December 2017 were authorised for issue in accordance with a resolution of the directors on 24th September 2018. SMD Robotics Limited is a private company limited by shares, incorporated and domiciled in the United Kingdom with the registered office at Turbinia Works, Davy Bank, Wallsend, Tyne and Wear.

The Company is principally engaged in providing technical support to remotely operated vehicles. At the beginning and end of the year the Company's ultimate controlling party was the CRRC Corporation Limited.

2. Accounting policies

Basis of preparation

The financial statements of SMD Robotics Limited have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (UKGAAP) FRS 101. The financial statements are presented in GBP Sterling (£), also the functional currency of the Company, which has remained unchanged during the reporting period. The Company has taken advantage of the following disclosure exemptions under FRS 101:

- a) The requirements of IFRS 7 Financial Instrument Disclosures and equivalent disclosures are included in the consolidated financial statements of Specialist Machine Developments (SMD) Limited, in which the entity is consolidated.
- b) The requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement and equivalent disclosures are included in the financial statements of Specialist Machine Developments (SMD) Limited, in which the entity is consolidated.
- c) The requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
 - i. paragraph 79(a)(iv) of IAS 1;
 - ii. paragraph 73(e) of IAS 16 Property, Plant and Equipment;
- d) The requirements of paragraphs 10(d), 10(f) 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements;
- e) The requirements of IAS 7 Statement of Cash Flows;
- f) The requirements of paragraphs 17 and 18A of IAS 24 Related Party Disclosures;
- g) The requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member;

The financial statements have been prepared using the significant accounting policies and measurement bases that are in effect at the end of the reporting period on 31 December 2017 as defined below. These were in effect throughout all periods presented in the financial statements.

Going concern

The directors have prepared the financial statements on a going concern basis on the grounds that the Company expects to meet its liabilities as they fall due. The directors have reached this conclusion after undertaking a detailed review of the Company's trading and cash flow forecasts and the financial facilities expected to be available to the Company from its investors, bankers and other stakeholders. In making this assessment the directors considered the relatively strong balance sheet of the Company as well the Company continuing to generate profits. In addition to a letter of support received from the CRRC Group, the directors are satisfied the Company can continue as a going concern.

Revenue

Revenue represents the value of work performed in the Company's principal activity recognised upon the transfer of significant risk and rewards of ownership of the goods to the customer, usually on delivery of goods. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

Current taxation

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the reporting period.

Current income taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred taxation

Deferred tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Intangible fixed assets

Intangible fixed assets relate to capitalised licence fees that provide exclusive access to robotic technology, which were initially recorded at cost. It is then amortised over the length of the licence agreement (5 years) and reviewed annually for any provision for impairment.

Foreign currencies

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-measurement of monetary items denominated in foreign currency at year-end exchange rates are recognised in the income statement. Non-monetary items are not retranslated at year-end and are measured at historical cost (translated using the exchange rates at the transaction date), except for non-monetary items measured at fair value.

3. Significant accounting judgements, estimates and assumptions

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, the accompanying disclosures, and the disclosure of the contingent liabilities.

In the process of applying the Company's accounting policies, management found there were no judgements, estimates and assumptions that had a significant effect on the financial statements, due to the lack of activity in the Company during the year.

4. Revenue

An analysis of revenue by geographical market is given below:

	2017 £	2016 £
Germany	70,919	-
Netherlands	-	357,976
	<u>70,919</u>	<u>357,976</u>

5. Profit before tax

During the year the Company recognised amortisation charge of £4,153 in relation to the capitalised robotics technology licence. In addition, the Company's audit fee was borne by a fellow group undertaking during the year. The directors estimate that £4,500 (2016 – £3,600) can be apportioned as relating to the audit of the Company.

The directors are also directors of the Specialist Machine Developments (SMD) Group and all remuneration for the period was paid by Soil Machine Dynamics Limited or the ultimate parent undertaking. The directors believe that £6,282 (2016 – £7,254) should be apportioned as relating to services as directors of the Company.

6. Tax

The major components of income tax expense for 2017 and 2016 are as follows:

(a) Income Statement

	2017 £	2016 £
Current income tax:		
Current income tax charge	-	-

(b) Reconciliation of tax charge to profit before tax

	2017 £	2016 £
Profit before tax	3,750	71,678
Tax on profit at standard UK tax rate of 19.25% (2016: 20%)	722	14,336
Effects of:		
Effects of group relief	(722)	(14,336)
Total income tax charge in the income statement	<u>-</u>	<u>-</u>

(c) Change in corporation tax rate

The UK government has announced its intention to reduce the UK corporation tax rate to 17% by 1 April 2020 and has now been substantively enacted.

7. Intangible fixed assets

	<i>Intellectual Property £</i>
Cost:	
At 1 January 2017	-
Additions	124,586
At 31 December 2017	<u>124,586</u>
Depreciation:	
At 1 January 2017	-
Charge for the year	(4,153)
At 31 December 2017	<u>(4,153)</u>
Net book value:	
At 31 December 2017	<u>120,433</u>
At 1 January 2017	<u>-</u>

8. Debtors

	<i>2017 £</i>	<i>2016 £</i>
Trade debtors	70,919	-
Amounts owed by group undertakings	-	54,502
	<u>70,919</u>	<u>54,502</u>

9. Cash

	<i>2017 £</i>	<i>2016 £</i>
Cash at bank and on hand	<u>1,201</u>	<u>121,232</u>

The Company was party to an overdraft and separate credit facility with HSBC Bank plc until 10th November 2017 when it was terminated by the SMD Group. On the same date the Company, as a member of the SMD Group, entered into a new facilities agreement with Citibank Europe plc which included a revolving credit facility of £13,000,000 a separate credit facility of up to £10,000,000 for the issue of letters of credit, including bonds, with any part of the facility not drawn in this form available to be utilised for cash and £2,000,000 for foreign exchange agreements. The facilities agreement expired in February 2018 where the Group has opted to continue under the same borrowing arrangements with Citibank Europe plc renewing on a monthly basis, enabling the Group to flexibly manage its debt with cash flow requirements.

10. Creditors

	<i>2017 £</i>	<i>2016 £</i>
Amounts owed to group undertakings	<u>13,069</u>	<u>-</u>

11. Issued share capital

	<i>2017 No.</i>	<i>2017 £</i>	<i>2016 No.</i>	<i>2016 £</i>
<i>Allotted, called up and fully paid</i>				
Ordinary shares of £1 each	1	<u>1</u>	1	<u>1</u>

12. Contingent liabilities

	2017 £	2016 £
Guarantees (bonding)	4,657,416	9,174,345

At the end of the year the Company was party to cross guarantees with other undertakings in the Specialist Machine Developments (SMD) Limited Group in respect of bid bonds, advance payment guarantees and performance bonds issued by its banks to third parties on its behalf.

The Company is subject to a debenture providing fixed and floating charges over its assets as security against the borrowings of the Specialist Machine Developments (SMD) Limited Group.

13. Related party transactions

The Company has taken advantage of the exemption available under FRS 101 from disclosing transactions between fully-owned members of the Specialist Machine Developments (SMD) Limited Group.

14. Ultimate parent undertaking and controlling party

The immediate parent undertaking is Specialist Machine Developments (SMD) Limited with registered office Turbinia Works, Davy Bank, Wallsend, Tyne and Wear, NE28 6UZ, United Kingdom, which also holds the consolidated financial statements of the Specialist Machine Developments (SMD) Group. These statements are the smallest Group to consolidate the financial statements of the Company.

The ultimate parent undertaking and controlling party is the CRRC Corporation Limited with registered office at No.16 West 4th Ring Road, Haidan District, Beijing, 100036, China. The CRRC Corporation Limited is the parent of the largest group to consolidate these financial statements of which the State-owned Assets Supervision and Administration Commission of the State Council (the Chinese State) owns the majority shareholding.