

**Group Strategic Report,
Report of the Directors and
Consolidated Financial Statements
for the Year Ended 31 March 2014
for
Mech-Tool Holdings Limited**

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Mech-Tool Holdings Limited

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Mech-Tool Holdings Limited
Company Information
for the Year Ended 31 March 2014

DIRECTORS:

M K Garner
V Garner
A M Lyon

SECRETARY:

A M Lyon

REGISTERED OFFICE:

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

REGISTERED NUMBER:

08832105 (England and Wales)

**SENIOR STATUTORY
AUDITOR:**

Christopher Beaumont BA(Hons) FCA DcHA

AUDITORS:

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

Mech-Tool Holdings Limited
Group Strategic Report
for the Year Ended 31 March 2014

The directors present their strategic report of the group for the year ended 31 March 2014.

Mech-Tool Holdings Limited was incorporated on 6 January 2014. On 8 January 2014 a group reconstruction took place whereby Mech-Tool Holdings Limited acquired the share capital of Mech-Tool Engineering Limited in a share for share exchange. After a consideration of the substance of the transaction the directors consider merger accounting to be the most appropriate treatment. As a result the group reorganisation has been accounted for using the merger accounting principles of FRS6 'Mergers and Acquisitions' and the group's financial information has been presented as if the current group structure has always been in place. The current and prior year's financial information therefore includes the full year results of Mech-Tool Engineering Limited

REVIEW OF BUSINESS

The principal activity of the group 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:

	2014	2013	Change
	£'000	£'000	%
Turnover	26,150	15,237	72%
Operating profit	2,658	818	225%
Profit after tax	2,219	756	193%
Equity shareholders' funds	5,974	3,624	65%
Average number of employees	183	160	14%

The group has benefited from another strong year in terms of business development and financial performance. Operating profit increased to £2,658k (£818k) from substantially higher sales of £26.1m (£15.2m). Net Assets rose to £5.9m (£3.6m). The group continued to focus on the design, engineering and supply of prefabricated topside cladding and of high integrity modularised buildings.

During the year the group's subsidiary Mech-Tool Korea Inc. commenced the fabrication of firewalls and blastwalls at its factory outside ChangWon City, near Busan in South Korea. It is expected that within its first year of operation Mech-Tool Korea Inc. will have supplied into HHI, SHI and DSME, the three main Korean construction yards. The Mech-Tool Engineering results include the start-up losses of the Korean operation.

Considerable management time was spent along with the associated costs in forming the AG&P-MTE joint venture company and in bidding for very large packages of modularised building work for the Russian Yamal LNG project. A change in the tendering dynamics arising from a major Chinese investment in Yamal in September 2013 and the well documented leadership issue at the AG&P construction yard in the Philippines resulted in the decision by both parties in the joint venture to wind-up the non-trading company AG&P-MTE Limited.

The opening order book in April 2014 was £19.2m (£17.0m). Turnover in the 2014/15 financial year is expected to exceed £30m.

Market conditions on offshore oil and gas projects provide strong demand for the group's products. These conditions are expected to continue in the coming years. The recession resulted in a collapse in capital spending at refineries throughout Europe. There was evidence of a marked recovery in this onshore market demand in 2013 and current enquiry interest indicates that this will grow further in the 2014/15 financial year.

During the 2013/14 financial year the group continued to increase its skilled and resourceful workforce and to strengthen its teams of functional specialists in design, engineering, project management, health and safety, finance and operations. The results are a testimony to the commitment and expertise of the group's employees.

Mech-Tool Holdings Limited

**Group Strategic Report
for the Year Ended 31 March 2014**

PRINCIPAL RISKS AND UNCERTAINTIES


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

Market risk - the group supplies products almost exclusively into the oil and gas market. A severe fall in the price of oil or gas would affect the industry as a whole and could lead to the suspension or cancellation of a number of projects.

Exchange rate risk - The majority of the group's larger contracts are denominated in US dollars. The group uses forward foreign currency contracts to reduce the exposure to foreign currency movements. However a sustained change in the exchange rate would affect the group's gross margin on future contracts.

Liquidity risk - during the year the group has changed its primary banker and has negotiated increased overdraft facilities to ensure that sufficient funds are in place to cover any risk arising from the delay in payments being received.

ON BEHALF OF THE BOARD:



A M Lyon - Director

28 May 2014

Mech-Tool Holdings Limited

Report of the Directors for the Year Ended 31 March 2014

The directors present their report with the financial statements of the company for the period 6 January 2014 to 31 March 2014 and the group for the year ended 31 March 2014.

PRINCIPAL ACTIVITY

The principal activity of the group 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 2014.

DIRECTORS

The directors shown below, have held office since the date of incorporation of 6 January 2014 to the date of this report.

M K Garner - appointed 6 January 2014

V Garner - appointed 6 January 2014

A M Lyon - appointed 6 January 2014

GROUP RECONSTRUCTION

Mech-Tool Holdings Limited was incorporated on 6 January 2014. On 8 January 2014 a group reconstruction took place whereby Mech-Tool Holdings Limited acquired the share capital of Mech-Tool Engineering Limited in a share for share exchange. After a consideration of the substance of the transaction the directors consider merger accounting to be the most appropriate treatment. As a result the group reorganisation has been accounted for using the merger accounting principles of FRS6 'Mergers and Acquisitions' and the group's financial information has been presented as if the current group structure has always been in place. The current and prior year's financial information therefore includes the full year results of Mech-Tool Engineering Limited.

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 the group and of the profit or loss of the group for the year. 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 and the group's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group 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 the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

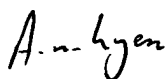
STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

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 group'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 group's auditors are aware of that information.

AUDITORS

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

ON BEHALF OF THE BOARD:



A M Lyon - Director

28 May 2014

Report of the Independent Auditors to the Members of Mech-Tool Holdings Limited

We have audited the financial statements of Mech-Tool Holdings Limited for the year ended 31 March 2014 on pages seven to twenty two. 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 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 group's and the parent 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 Group 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 group's and of the parent company's affairs as at 31 March 2014 and of the group's 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 Group 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 Holdings 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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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.

Clive Owen & Co LLP

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

28 May 2014

Mech-Tool Holdings Limited

**Consolidated Profit and Loss Account
for the Year Ended 31 March 2014**

	Notes	2014 £	2013 £
TURNOVER	2	26,150,144	15,237,011
Cost of sales		<u>20,185,995</u>	<u>12,274,149</u>
GROSS PROFIT		5,964,149	2,962,862
Administrative expenses		<u>3,305,948</u>	<u>2,144,341</u>
OPERATING PROFIT	4	2,658,201	818,521
Interest receivable and similar income		<u>1,552</u>	<u>648</u>
		2,659,753	819,169
Interest payable and similar charges	5	<u>(3,114)</u>	<u>8,791</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		2,662,867	810,378
Tax on profit on ordinary activities	6	<u>444,283</u>	<u>53,988</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		2,218,584	756,390
Minority interest - equity		<u>(130,439)</u>	<u>-</u>
RETAINED PROFIT FOR THE GROUP CARRIED FORWARD		<u>2,349,023</u>	<u>756,390</u>

CONTINUING OPERATIONS

None of the group's activities were acquired or discontinued during the current year or previous year.

TOTAL RECOGNISED GAINS AND LOSSES

The group has no recognised gains or losses other than the profits for the current year or previous year.

The notes form part of these financial statements

Consolidated Balance Sheet
31 March 2014

	Notes	2014	2013
		£	£
FIXED ASSETS			
Tangible assets	8	1,408,274	1,162,575
Investments	9	<u>-</u>	<u>-</u>
		1,408,274	1,162,575
CURRENT ASSETS			
Stocks	10	1,328,658	446,562
Debtors	11	10,399,299	4,012,957
Cash at bank and in hand		<u>1,613,217</u>	<u>2,324,860</u>
		13,341,174	6,784,379
CREDITORS			
Amounts falling due within one year	12	<u>8,779,511</u>	<u>4,285,762</u>
NET CURRENT ASSETS		<u>4,561,663</u>	<u>2,498,617</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		5,969,937	3,661,192
PROVISIONS FOR LIABILITIES	14	(73,458)	(36,827)
MINORITY INTERESTS		<u>77,945</u>	<u>-</u>
NET ASSETS		<u><u>5,974,424</u></u>	<u><u>3,624,365</u></u>
CAPITAL AND RESERVES			
Called up share capital	15	1,050,502	1,050,502
Profit and loss account	16	4,922,886	2,573,863
Other reserves	16	<u>1,036</u>	<u>-</u>
SHAREHOLDERS' FUNDS	19	<u><u>5,974,424</u></u>	<u><u>3,624,365</u></u>

The financial statements were approved by the Board of Directors on 28 May 2014 and were signed on its behalf by:



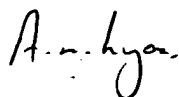
A M Lyon - Director

Company Balance Sheet
31 March 2014

	Notes	2014 £	2013 £
FIXED ASSETS			
Tangible assets	8	-	-
Investments	9	<u>1,051,000</u>	<u>-</u>
		1,051,000	-
CURRENT ASSETS			
Debtors	11	502	-
CREDITORS			
Amounts falling due within one year	12	<u>1,000</u>	<u>-</u>
NET CURRENT (LIABILITIES)/ASSETS		<u>(498)</u>	<u>-</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u><u>1,050,502</u></u>	<u><u>-</u></u>
CAPITAL AND RESERVES			
Called up share capital	15	<u>1,050,502</u>	<u>-</u>
SHAREHOLDERS' FUNDS	19	<u><u>1,050,502</u></u>	<u><u>-</u></u>

The financial statements have been prepared in accordance with the special provisions of Part 15 of the Companies Act 2006 relating to small companies and with the Financial Reporting Standard for Smaller Entities (effective April 2008).

The financial statements were approved by the Board of Directors on 28 May 2014 and were signed on its behalf by:



A M Lyon - Director

Mech-Tool Holdings Limited

**Consolidated Cash Flow Statement
for the Year Ended 31 March 2014**

	Notes	2014 £	2013 £
Net cash outflow from operating activities	1	(177,159)	(1,324,995)
Returns on investments and servicing of finance	2	4,666	(8,143)
Taxation		(17,778)	(71,223)
Capital expenditure	2	(504,471)	(127,877)
Acquisitions and disposals	2	<u>52,494</u>	<u>-</u>
		(642,248)	(1,532,238)
Financing	2	<u>(69,395)</u>	<u>(90,331)</u>
Decrease in cash in the year		<u>(711,643)</u>	<u>(1,622,569)</u>
<hr/>			
Reconciliation of net cash flow to movement in net funds	3		
Decrease in cash in the year		(711,643)	(1,622,569)
Cash outflow from decrease in debt and lease financing		<u>69,395</u>	<u>90,331</u>
Change in net funds resulting from cash flows		<u>(642,248)</u>	<u>(1,532,238)</u>
Movement in net funds in the year		<u>(642,248)</u>	<u>(1,532,238)</u>
Net funds at 1 April		<u>2,255,465</u>	<u>3,787,703</u>
Net funds at 31 March		<u>1,613,217</u>	<u>2,255,465</u>

The notes form part of these financial statements

Mech-Tool Holdings Limited

**Notes to the Consolidated Cash Flow Statement
for the Year Ended 31 March 2014**

1. RECONCILIATION OF OPERATING PROFIT TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	2014	2013
	£	£
Operating profit	2,658,201	818,521
Depreciation charges	256,007	215,720
Loss on disposal of fixed assets	2,765	2,463
Increase in stocks	(882,096)	(351,918)
Increase in debtors	(6,385,342)	(1,819,080)
Increase/(decrease) in creditors	4,172,270	(190,701)
Foreign exchange movement	<u>1,036</u>	<u>-</u>
Net cash outflow from operating activities	<u>(177,159)</u>	<u>(1,324,995)</u>

2. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT

	2014	2013
	£	£
Returns on investments and servicing of finance		
Interest received	1,552	648
Interest paid	(556)	(167)
Interest element of hire purchase payments	<u>3,670</u>	<u>(8,624)</u>
Net cash inflow/(outflow) for returns on investments and servicing of finance	<u>4,666</u>	<u>(8,143)</u>
Capital expenditure		
Purchase of tangible fixed assets	(507,470)	(128,077)
Sale of tangible fixed assets	<u>2,999</u>	<u>200</u>
Net cash outflow for capital expenditure	<u>(504,471)</u>	<u>(127,877)</u>
Acquisitions and disposals		
Minority interest share issue	<u>52,494</u>	<u>-</u>
Net cash inflow for acquisitions and disposals	<u>52,494</u>	<u>-</u>
Financing		
Capital repayments in year	(69,395)	(90,331)
Net cash outflow from financing	<u>(69,395)</u>	<u>(90,331)</u>

The notes form part of these financial statements

Mech-Tool Holdings Limited

**Notes to the Consolidated Cash Flow Statement
for the Year Ended 31 March 2014**

3. ANALYSIS OF CHANGES IN NET FUNDS

	At 1.4.13 £	Cash flow £	At 31.3.14 £
Net cash:			
Cash at bank and in hand	<u>2,324,860</u>	<u>(711,643)</u>	<u>1,613,217</u>
	<u>2,324,860</u>	<u>(711,643)</u>	<u>1,613,217</u>
Debt:			
Hire purchase	<u>(69,395)</u>	<u>69,395</u>	<u>-</u>
	<u>(69,395)</u>	<u>69,395</u>	<u>-</u>
Total	<u><u>2,255,465</u></u>	<u><u>(642,248)</u></u>	<u><u>1,613,217</u></u>

The notes form part of these financial statements

Mech-Tool Holdings Limited

Notes to the Consolidated Financial Statements for the Year Ended 31 March 2014

1. ACCOUNTING POLICIES

Accounting convention

The financial statements have been prepared under the historical cost convention.

Basis of consolidation

The financial statements consolidate the financial statements of Mech-Tool Holdings Limited, its subsidiary Mech-Tool Engineering Limited and its subsidiary undertaking Mech-Tool Korea Inc., a company registered in the Republic of Korea. Transactions between group companies have been eliminated in consolidation. No separate statement of financial activities for Mech-Tool Holdings Limited is presented as permitted by Section 406 of the Companies Act 2006.

Mech-Tool Holdings Limited was incorporated on 6 January 2014. On 8 January 2014 a group reconstruction took place whereby Mech-Tool Holdings Limited acquired the share capital of Mech-Tool Engineering Limited in a share for share exchange. After a consideration of the substance of the transaction the directors consider merger accounting to be the most appropriate treatment. As a result the group reorganisation has been accounted for using the merger accounting principles of FRS6 'Mergers and Acquisitions' and the group's financial information has been presented as if the current group structure has always been in place. The current and prior year's financial information therefore includes the full year results of Mech-Tool Engineering Limited.

Turnover

Turnover represents net invoiced sales of goods, excluding value added tax.

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life or, if held under a finance lease, over the lease term, whichever is the shorter.

Improvements to property	- 10% on cost and 5% on cost
Plant and machinery	- 10% - 33% on cost
Fixtures and fittings	- 15% - 25% on cost
Motor vehicles	- 10 - 20% on cost
Computer equipment	- 33% on cost

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.

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 year. 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.

Mech-Tool Holdings Limited

Notes to the Consolidated Financial Statements - continued for the Year Ended 31 March 2014

1. ACCOUNTING POLICIES - continued

Hire purchase and leasing commitments

Assets obtained under hire purchase contracts or finance leases are capitalised in the balance sheet. Those held under hire purchase contracts are depreciated over their estimated useful lives. Those held under finance leases are depreciated over their estimated useful lives or the lease term, whichever is the shorter.

The interest element of these obligations is charged to the profit and loss account over the relevant year. The capital element of the future payments is treated as a liability.

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

Pension costs and other post-retirement benefits

The group operates a defined contribution pension scheme. Contributions payable to the group's pension scheme are charged to the profit and loss account in the year to which they relate.

Investments

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

Capital instruments

Capital instruments are accounted for and classified as equity or non-equity share capital and debt according to their form.

2. TURNOVER

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

An analysis of turnover by geographical market is given below:

	2014 £	2013 £
United Kingdom	5,256,997	10,534,361
Overseas	<u>20,893,147</u>	<u>4,702,650</u>
	<u>26,150,144</u>	<u>15,237,011</u>

3. STAFF COSTS

	2014 £	2013 £
Wages and salaries	8,278,568	5,685,382
Social security costs	914,001	571,288
Other pension costs	<u>246,244</u>	<u>92,420</u>
	<u>9,438,813</u>	<u>6,349,090</u>

Mech-Tool Holdings Limited

Notes to the Consolidated Financial Statements - continued for the Year Ended 31 March 2014

3. STAFF COSTS - continued

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

	2014	2013
Production and engineering services	159	136
Administration and selling	<u>24</u>	<u>24</u>
	<u>183</u>	<u>160</u>

4. OPERATING PROFIT

The operating profit is stated after charging:

	2014	2013
	£	£
Other operating leases	15,105	12,392
Depreciation - owned assets	218,987	174,672
Depreciation - assets on hire purchase contracts	37,020	41,048
Loss on disposal of fixed assets	2,765	2,463
'Auditors' remuneration	8,500	7,000
Foreign exchange differences	<u>1,797</u>	<u>-</u>
Directors' remuneration	115,247	19,024
Directors' pension contributions to money purchase schemes	<u>7,395</u>	<u>-</u>

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

Money purchase schemes	<u>1</u>	<u>1</u>
------------------------	----------	----------

Information regarding the highest paid director is as follows:

	2014	2013
	£	£
Emoluments etc	102,687	12,980
Pension contributions to money purchase schemes	<u>7,395</u>	<u>-</u>

Mech-Tool Holdings Limited

**Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 March 2014**

5. INTEREST PAYABLE AND SIMILAR CHARGES

	2014	2013
	£	£
Bank loan interest	556	167
Hire purchase	<u>(3,670)</u>	<u>8,624</u>
	<u>(3,114)</u>	<u>8,791</u>

6. TAXATION

Analysis of the tax charge

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

	2014	2013
Current tax:		
UK corporation tax	492,862	102,988
Korean Corporation tax	17098	-
Prior year adjustment	<u>(102,308)</u>	<u>(40,590)</u>
Total current tax	407,652	62,398
Deferred tax	<u>36,631</u>	<u>(8,410)</u>
Tax on profit on ordinary activities	<u>444,283</u>	<u>53,988</u>
	£	£

Factors affecting the tax charge

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

	2014	2013
	£	£
Profit on ordinary activities before tax	<u>2,663,903</u>	<u>810,378</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 23% (2013 - 24%)	612,698	194,491
Effects of:		
Expenses not deductible for tax purposes	11,837	12,970
Capital allowances in excess of depreciation	(25,105)	-
Depreciation in excess of capital allowances	-	17,407
Adjustments to tax charge in respect of previous years	(102,308)	(40,590)
Research & Development claim	(202,400)	(111,600)
Loss on subsidiary not deductible	95,832	-
Local tax liability of subsidiary	17,098	-
Marginal Relief	<u>-</u>	<u>(10,280)</u>
Current tax charge	<u>407,652</u>	<u>62,398</u>

Mech-Tool Holdings Limited

Notes to the Consolidated Financial Statements - continued for the Year Ended 31 March 2014

7. PROFIT OF PARENT COMPANY

As permitted by Section 408 of the Companies Act 2006, the profit and loss account of the parent company is not presented as part of these financial statements. The parent company's profit for the financial year was £0 (2013 - £0).

8. TANGIBLE FIXED ASSETS

Group

	Improvements to property £	Plant and machinery £	Fixtures and fittings £
COST			
At 1 April 2013	670,310	1,243,018	351,875
Additions	84,937	194,275	110,001
Disposals	-	(13,000)	(13,106)
At 31 March 2014	<u>755,247</u>	<u>1,424,293</u>	<u>448,770</u>
DEPRECIATION			
At 1 April 2013	245,319	688,704	228,106
Charge for year	64,434	114,181	27,407
Eliminated on disposal	-	(7,288)	(13,106)
At 31 March 2014	<u>309,753</u>	<u>795,597</u>	<u>242,407</u>
NET BOOK VALUE			
At 31 March 2014	<u>445,494</u>	<u>628,696</u>	<u>206,363</u>
At 31 March 2013	<u>424,991</u>	<u>554,314</u>	<u>123,769</u>
	Motor vehicles £	Computer equipment £	Totals £
COST			
At 1 April 2013	46,345	269,196	2,580,744
Additions	20,014	98,243	507,470
Disposals	-	(177,051)	(203,157)
At 31 March 2014	<u>66,359</u>	<u>190,388</u>	<u>2,885,057</u>
DEPRECIATION			
At 1 April 2013	33,877	222,163	1,418,169
Charge for year	8,117	41,868	256,007
Eliminated on disposal	-	(176,999)	(197,393)
At 31 March 2014	<u>41,994</u>	<u>87,032</u>	<u>1,476,783</u>
NET BOOK VALUE			
At 31 March 2014	<u>24,365</u>	<u>103,356</u>	<u>1,408,274</u>
At 31 March 2013	<u>12,468</u>	<u>47,033</u>	<u>1,162,575</u>

Mech-Tool Holdings Limited

Notes to the Consolidated Financial Statements - continued for the Year Ended 31 March 2014

8. TANGIBLE FIXED ASSETS - continued

Group

Fixed assets, included in the above, which are held under hire purchase contracts, are as follows:

	Plant and machinery £	Motor vehicles £	Computer equipment £	Totals £
COST				
At 1 April 2013	323,045	17,650	20,120	360,815
Transfer to ownership	<u>(323,045)</u>	<u>(17,650)</u>	<u>(20,120)</u>	<u>(360,815)</u>
At 31 March 2014	-	-	-	-
DEPRECIATION				
At 1 April 2013	88,013	8,531	17,350	113,894
Charge for year	30,720	3,530	2,770	37,020
Transfer to ownership	<u>(118,733)</u>	<u>(12,061)</u>	<u>(20,120)</u>	<u>(150,914)</u>
At 31 March 2014	-	-	-	-
NET BOOK VALUE				
At 31 March 2014	-	-	-	-
At 31 March 2013	<u>235,032</u>	<u>9,119</u>	<u>2,770</u>	<u>246,921</u>

9. FIXED ASSET INVESTMENTS

Company

	Shares in group undertakings £
COST	
Additions	<u>1,051,000</u>
At 31 March 2014	<u>1,051,000</u>
NET BOOK VALUE	
At 31 March 2014	<u>1,051,000</u>

The group or the company's investments at the balance sheet date in the share capital of companies include the following:

Subsidiary

Mech-Tool Engineering Limited

Nature of business: Manufacturing fire & blast products

	% holding
Class of shares:	
Ordinary	100.00
17.7% Preference shares	100.00

MTE Design Limited

Nature of business: dormant

	% holding
Class of shares:	
Ordinary	100.00

Mech-Tool Holdings Limited

**Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 March 2014**

10. STOCKS

	Group	
	2014	2013
	£	£
Raw materials	<u>1,328,658</u>	<u>446,562</u>

11. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group	Company	
	2014	2013	2014
	£	£	£
Trade debtors	5,652,453	2,995,454	-
Amounts recoverable on contract	3,812,459	842,260	-
Other debtors	381,940	8,978	502
Prepayments	<u>552,447</u>	<u>166,265</u>	<u>-</u>
	<u>10,399,299</u>	<u>4,012,957</u>	<u>502</u>

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group	Company	
	2014	2013	2014
	£	£	£
Hire purchase contracts (see note 13)	-	69,395	-
Payments on account	3,052,911	1,195,901	-
Trade creditors	4,172,971	2,105,723	-
Corporation tax	492,862	102,988	-
Taxation and social security	241,458	362,678	-
Other creditors	46,851	47,588	1,000
Accruals and deferred income	<u>772,458</u>	<u>401,489</u>	<u>-</u>
	<u>8,779,511</u>	<u>4,285,762</u>	<u>1,000</u>

13. OBLIGATIONS UNDER HIRE PURCHASE CONTRACTS AND LEASES

Group		Hire purchase contracts	
		2014	2013
		£	£
Net obligations repayable:			
Within one year		<u>-</u>	<u>69,395</u>

The following operating lease payments are committed to be paid within one year:

Group		Land and buildings		Other operating leases	
		2014	2013	2014	2013
		£	£	£	£
Expiring:					
Within one year		-	-	-	11,069
Between one and five years		<u>135,173</u>	<u>-</u>	<u>-</u>	<u>-</u>
		<u>135,173</u>	<u>-</u>	<u>-</u>	<u>11,069</u>

Mech-Tool Holdings Limited

Notes to the Consolidated Financial Statements - continued for the Year Ended 31 March 2014

14. PROVISIONS FOR LIABILITIES

	Group	
	2014	2013
	£	£
Deferred tax	<u>73,458</u>	<u>36,827</u>
Group		
		Deferred tax
		£
Balance at 1 April 2013		36,827
Accelerated capital allowances		<u>36,631</u>
Balance at 31 March 2014		<u>73,458</u>

15. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:			2014	2013
Number:	Class:	Nominal value:	£	£
50,502	Ordinary	£1	50,002	50,002
500	"A" Ordinary	£1	500	500
1,000,000	17.7% Cumulative preference	£1	<u>1,000,000</u>	<u>1,000,000</u>
			<u>1,050,502</u>	<u>1,050,502</u>

The following shares were allotted and fully paid for cash at par during the year:

50,502 Ordinary shares of £1 each
 500 "A" Ordinary shares of £1 each
 1,000,000 17.7% Cumulative preference shares of £1 each

The 17.7% cumulative redeemable preference shares of £1 each entitle the holder, subject to a resolution of the directors, to receive a fixed cumulative preferential dividend at the rate of 17.7% on the paid up capital and the right to return of capital at either winding up or a repayment of capital. The preference shares do not entitle the holders to any further rights or other participation in the profits or assets of the company nor do they carry any voting rights.

The company shall have the option exercisable by a resolution of the directors to redeem the 17.7% cumulative redeemable preference shares at a premium of 130% to their par value.

Mech-Tool Holdings Limited

**Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 March 2014**

16. RESERVES

Group

	Profit and loss account £	Consolidation reserve £	Totals £
At 6 January 2014	2,573,863	-	2,573,863
Profit for the period	2,349,023		2,349,023
Foreign exchange movements	<u>-</u>	<u>1,036</u>	<u>1,036</u>
At 31 March 2014	<u>4,922,886</u>	<u>1,036</u>	<u>4,923,922</u>

Company

	Profit and loss account £
Profit for the year	<u>-</u>
At 31 March 2014	<u>-</u>

17. CONTINGENT LIABILITIES

At 31 March 2014 the group had contingent liabilities in respect of performance bonds at the balance sheet date of £986,995. No guarantees have ever been called upon in the history of the subsidiary companies.

18. ULTIMATE CONTROLLING PARTY

The ultimate controlling party is M K and V Garner by virtue of their shareholding in the parent company.

19. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

Group

	2014 £	2013 £
Profit for the financial period	2,349,023	756,390
Exchange difference on consolidation	<u>1,036</u>	<u>-</u>
Net addition to shareholders' funds	2,350,059	756,390
Opening shareholders' funds	<u>3,624,365</u>	<u>2,867,975</u>
Closing shareholders' funds	<u>5,974,424</u>	<u>3,624,365</u>