

Company Registration No. 00333313

**GEDORE TORQUE LTD
(formerly MHH ENGINEERING COMPANY
LIMITED)**

Annual Report and Financial Statements 2015



GEDORE TORQUE LTD
(formerly MHH ENGINEERING COMPANY LIMITED)

ANNUAL REPORT AND FINANCIAL STATEMENTS 2015

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GEDORE TORQUE LTD
(formerly MHH ENGINEERING COMPANY LIMITED)

ANNUAL REPORT AND FINANCIAL STATEMENTS 2015

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

Frau K Dowidat
V Ebbinghaus
J Ellera
K L Smith
R W Little

SECRETARY

C Crouch

REGISTERED OFFICE

Tannery Lane
Gosden Common
Bramley
Guildford
Surrey
GU5 0AJ

AUDITOR

Deloitte LLP
Chartered Accountants and Statutory Auditor
Southampton
United Kingdom

GEDORE TORQUE LTD
(formerly MHH ENGINEERING COMPANY LIMITED)

STRATEGIC REPORT

For the year ended 31 December 2015

The directors, in preparing this strategic report, have complied with S414c of the Companies Act 2006.

PRINCIPAL ACTIVITIES

The company's main activities are the design and manufacture of torque tools and torque measurement equipment. The company's products are principally sold to industrial customers around the world.

BUSINESS REVIEW

The results for the year and the financial position of the company are shown in the annexed accounts.

The directors aim to present a balanced and comprehensive review of the development and performance of the business during the year and its position at the year end. Our review is consistent with the size and nature of the business and is written in the context of the risks and uncertainties faced.

Key performance indicators are those that show the financial performance of the company. These are turnover, gross margin and cash flow.

Overall turnover increased by 12.2% (2014: 4.1% decrease) with an increase shown in all geographical areas. This was due to a combination of new products introduced in the last 2 years beginning to take effect, additional sales resource and strong markets.

Direct costs continue to be well controlled. Despite writing off obsolete stocks, the gross profit margin showed a slight improvement. Overheads were higher than 2014 mainly due to additional sales activities.

Cash generation was positive in 2015 with net cash inflow £359,279 (2014: £86,891). This was after purchasing £401,835 of new capital equipment, paying a dividend of £400,000 and receiving a loan repayment of £300,000. The company has continued to invest in the latest technology to ensure gross profits are maintained.

PRINCIPAL RISKS AND UNCERTAINTIES

The main risks associated with the business are:

- New competitors entering the market
- The loss of a major customer
- Economic uncertainties including exchange rate fluctuations
- Availability of employees with the right skill sets

Market conditions continue to be difficult but, the introduction of new products in 2016 and subsequent years will begin to have a positive effect on turnover.

Customers and suppliers are under constant review to ensure their performance meets the targets set by the company.

The balance sheet remains strong and the directors consider there are sufficient resources to finance additional investment.

RESEARCH AND DEVELOPMENT

Over the past years a significant investment in research and development has been made. In 2015 the beginning of a return on the investment was witnessed, with sales in recently launched products higher than planned. That investment has continued throughout the year.

GEDORE TORQUE LTD
(formerly MHH ENGINEERING COMPANY LIMITED)

STRATEGIC REPORT (continued)
For the year ended 31 December 2015

GOING CONCERN

After making enquiries, the directors have a reasonable expectation that the company and parent company have adequate resources to continue in operational existence for the foreseeable future. As such the financial statements are prepared on a going concern basis.

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



C Crouch
Secretary

Date:

29th April 2016

GEDORE TORQUE LTD
(formerly MHH ENGINEERING COMPANY LIMITED)

DIRECTORS' REPORT

For the year ended 31 December 2015

The directors present their Annual Report and the audited financial statements for the year ended 31 December 2015.

CHANGE OF NAME

The company changed its name from MHH Engineering Company Limited to Gedore Torque Ltd on 19 November 2015.

DIVIDENDS

An interim dividend of 29.3p (2014 - 18.3p) per share, equating to £400,000 (2014 - £250,000), was paid during the year. The directors recommend that no final dividend be paid.

SUBSEQUENT EVENTS

There were no material events between the balance sheet date and the signing date that require disclosure.

DIRECTORS

The directors shown below have held office during the year and to the date of this report, unless otherwise stated, as follows:

Frau K Dowidat

V Ebbinghaus

J Ellera

S Spies (resigned 31 January 2016)

D R Parsley (resigned 1 March 2015)

R W Little

K L Smith (appointed 2 March 2015)

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 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 FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". 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; 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.

GEDORE TORQUE LTD
(formerly MHH ENGINEERING COMPANY LIMITED)

DIRECTORS' REPORT (continued)
For the year ended 31 December 2015

AUDITOR

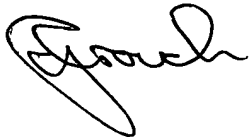
Each of the persons who is a director at the date of approval of this Annual Report confirms that:

- 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 ought to have taken as a director to make himself 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 provisions of s418 of the Companies Act 2006.

Deloitte LLP have expressed their willingness to continue in office as auditor and a resolution to reappoint them as auditor will be proposed at the forthcoming Annual General Meeting.

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



C Crouch
Secretary

Date:

29th April 2016

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
GEDORE TORQUE LTD
(formerly MHH ENGINEERING COMPANY LIMITED)**

We have audited the financial statements of Gedore Torque Ltd for the year ended 31 December 2015 which comprise the profit and loss account, the balance sheet, the statement of changes in equity, the cash flow statement, the notes to the cash flow statement and the related notes 1 to 19. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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

Basis for qualified opinion on financial statements

The company has not accounted for the defined benefit pension scheme in accordance with FRS 102 Section 28 Employee Benefits for the reasons set out in note 14 to the financial statements. They have therefore not obtained an actuarial valuation of the scheme and have instead accounted for the defined benefit scheme as if it were a defined contribution scheme. In these circumstances, we are unable to quantify the effect of the departure from the accounting standard.

Qualified opinion on financial statements

In our opinion, except for the effects of the matter described in the Basis for qualified opinion on financial statements paragraph, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GEDORE TORQUE LTD
(formerly MHH ENGINEERING COMPANY LIMITED) (continued)

Matters on which we are required to report by exception

In respect of the limitation on our work relating solely to the FRS 102 Section 28 actuarial valuation, described above:

- we have not obtained all the information and explanations that we considered necessary for the purpose of our audit; and
- we were unable to determine whether adequate accounting records have been kept.

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

- 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.

A handwritten signature in black ink, appearing to read 'Simon Olsen', with a horizontal line underneath.

Simon Olsen FCA (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Southampton, United Kingdom

Date: 29 April 2016

GEDORE TORQUE LTD
(formerly MHH ENGINEERING COMPANY LIMITED)

PROFIT AND LOSS ACCOUNT
For the year ended 31 December 2015

	Note	2015	2014
		£	£
TURNOVER	3	4,985,016	4,442,925
Cost of sales		(3,585,014)	(3,203,612)
GROSS PROFIT		1,400,002	1,239,313
Distribution costs	542,813		425,347
Administrative expenses	580,144		598,217
		(1,122,957)	(1,023,564)
		277,045	215,749
Other operating income		149,630	160,880
OPERATING PROFIT	5	426,675	376,629
Interest receivable and similar income		23,734	27,245
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		450,409	403,874
Tax on profit on ordinary activities	6	(78,933)	(114,373)
PROFIT FOR THE FINANCIAL YEAR		371,476	289,501

All transactions derived from continuing operations.

There are no comprehensive income or expenses for the current financial year or preceding financial year other than as stated in the profit and loss account above. Accordingly, no statement of comprehensive income is given.

GEDORE TORQUE LTD
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BALANCE SHEET
As at 31 December 2015

	Note	2015 £	2014 £
FIXED ASSETS			
Tangible assets	8	2,561,603	2,482,100
CURRENT ASSETS			
Stocks	9	1,079,345	1,066,917
Debtors	10	1,825,009	2,237,694
Cash at bank and in hand		1,165,356	806,077
		4,069,710	4,110,688
CREDITORS: amounts falling due within one year	11	(475,495)	(440,265)
NET CURRENT ASSETS		3,594,215	3,670,423
TOTAL ASSETS LESS CURRENT LIABILITIES		6,155,818	6,152,523
PROVISIONS FOR LIABILITIES	12	(291,393)	(274,976)
		5,864,425	5,877,547
CAPITAL AND RESERVES			
Called up share capital	13	1,366,004	1,366,004
Revaluation reserve	13	770,121	776,029
Profit and loss account	13	3,728,300	3,735,514
SHAREHOLDERS' FUNDS		5,864,425	5,877,547

The financial statements of Gedore Torque Ltd, registered number.00333313, were approved by the Board of Directors and authorised for issue on

Signed on behalf of the Board of Directors



K L Smith
Director

K-L Smith

Date:

29/4/16

GEDORE TORQUE LTD
(formerly MHH ENGINEERING COMPANY LIMITED)

STATEMENT OF CHANGES IN EQUITY
As at 31 December 2015

	Called up share capital £	Revaluation reserve £	Profit and loss account £	Total £
At 31 December 2013 as previously stated	1,366,004	781,937	3,845,311	5,993,252
Changes on transition to FRS 102 (note 19)	-	-	(156,387)	(156,387)
At 1 January 2014 as restated	1,366,004	781,937	3,688,924	5,836,865
Profit for the financial year	-	-	289,501	289,501
Dividends paid (note 7)	-	-	(250,000)	(250,000)
Depreciation on revaluation reserve	-	(5,908)	5,908	-
Deferred tax credited to equity	-	-	1,181	1,181
At 31 December 2014	1,366,004	776,029	3,735,514	5,877,547
Profit for the financial year	-	-	371,476	371,476
Dividends paid (note 7)	-	-	(400,000)	(400,000)
Depreciation on revaluation reserve	-	(5,908)	5,908	-
Deferred tax credited to equity	-	-	15,402	15,402
At 31 December 2015	1,366,004	770,121	3,728,300	5,864,425

GEDORE TORQUE LTD
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CASH FLOW STATEMENT
For the year ended 31 December 2015

	Note	2015 £	2014 £
Net cash inflow from operating activities	1	1,103,325	434,559
Cash flows from investing activities	2	(344,046)	(97,668)
Cash flows from financing activities			
Dividends paid		(400,000)	(250,000)
Net increase in cash		<u>359,279</u>	<u>86,891</u>

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	2015 £	2014 £
Increase in cash in the year	359,279	86,891
Net cash as at 1 January	<u>806,077</u>	<u>719,186</u>
Net cash as at 31 December	<u>1,165,356</u>	<u>806,077</u>

GEDORE TORQUE LTD
(formerly MHH ENGINEERING COMPANY LIMITED)

NOTES TO THE CASH FLOW STATEMENT
For the year ended 31 December 2015

1. RECONCILIATION OF OPERATING PROFIT TO CASH GENERATED FROM OPERATING ACTIVITIES

	2015 £	2014 £
Operating profit	426,675	376,629
Depreciation charges	294,230	261,975
Profit on disposal of fixed assets	(5,953)	(14,286)
Taxation (paid)/received	(82,807)	34,400
Operating cash before movement in working capital	632,145	658,718
Increase in stocks	(12,428)	(9,586)
Decrease/(increase) in debtors	412,685	(167,391)
Increase/(decrease) in creditors	70,923	(47,182)
Cash generated from operations	1,103,325	434,559

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

	2015 £	2014 £
Cash flows from investing activities		
Interest received	23,734	27,245
Proceeds from sale of tangible fixed assets	34,055	33,630
Purchase of tangible fixed assets	(401,835)	(158,543)
Net cash outflow from investing activities	(344,046)	(97,668)

GEDORE TORQUE LTD
(formerly MHH ENGINEERING COMPANY LIMITED)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable United Kingdom accounting standards. A summary of the principal accounting policies is set out below, all of which have been applied consistently throughout the year and the preceding year. As detailed in the Strategic Report the directors continue to adopt the going concern basis in preparing the financial statements.

General information and basis of accounting

Gedore Torque Ltd is a company incorporated in the United Kingdom under the Companies Act. The address of the registered office is given on page 1. The nature of the company's operations and its principal activities are set out in the strategic report on page 2.

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council except for the non-compliance with section 28 'Employee benefits' as detailed in note 14.

The adjustments to the prior year due to the adoption of FRS 102 are disclosed in note 19. The functional currency of Gedore Torque Ltd is considered to be pounds sterling because that is the currency of the primary economic environment in which the company operates.

Turnover

Turnover represents the total value, excluding value added tax and trade discounts, of goods sold and services rendered during the year. Turnover is recognised upon despatch of goods to the customer or by reference to the stage of completion of services rendered.

Other operating income

Other operating income represents rent receivable from third parties for the use of land and buildings owned by the Company. Other operating income is credited to the profit and loss account on a straight line basis over the lease term.

Tangible fixed assets

Tangible fixed assets are shown at cost less accumulated depreciation and provision for impairment. Depreciation is provided at rates calculated to write off the cost less estimated residual value of fixed assets on a straight-line basis over their estimated useful lives, as follows:

Freehold land and buildings	2% straight line basis
Plant and machinery and vehicles	10% - 25% straight line basis
Fixtures and fittings	10% - 33% straight line basis

No depreciation is provided in respect of freehold land.

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost is determined on a first in first out basis and comprises direct material cost, direct labour cost and attributable production overheads. Net realisable value is based on the price at which stock can be realised in the normal course of business. Provision is made where necessary for obsolete, slow moving and damaged stocks.

Taxation

Current tax is provided at amounts expected to be paid or recovered using the tax rates and laws that have been enacted or substantially 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. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

GEDORE TORQUE LTD
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NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2015

1. ACCOUNTING POLICIES (continued)

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.

Pension costs

The Company operates a "defined benefit" pension scheme. Contributions payable to this scheme, which are based on actuarial advice, are charged to the profit and loss account based on the payments made in the year. The contributions are invested separately from the Company's assets.

The Company does not account for the defined benefit pension scheme in accordance with FRS 102 Section 28 'Employee benefits' as the directors have agreed with the shareholder that the additional costs of obtaining actuarial pension information related to the pension scheme as at the balance sheet date as required by FRS 102 Section 28 would be disproportionate to any benefits obtained in providing the information.

The Company also operates a "defined contribution" pension scheme. The contributions to the Scheme are charged to the profit and loss account for the year in which they are payable to the Scheme. Differences between contributions payable and contributions actually paid in the year are shown as either accruals or prepayments at the year end.

Operating leases

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

2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Revenue recognition

Revenue is recognised when the directors are satisfied that the significant risks and rewards of ownership have been transferred.

Depreciation

This has been calculated on the basis of FRS 102 to recognise the decline in the value of an asset and to allocate the cost of the asset over its useful life. This policy is reviewed on a regular basis to determine whether it is still relevant.

Provisions

A bad debt provision exists for amounts outstanding where it is deemed there is a likelihood that the amount will not be paid. There were no provisions at the year end.

Unused annual leave at the year end is not permitted to be carried forward so a provision is not required.

Defined benefit pension scheme

The Company has obligations to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depends on a number of factors, including; life expectancy, salary increases, asset valuations and the discount rate on corporate bonds.

Stock

Stock is valued on the basis of the lower of cost or net realisable value. A provision has been established for stock that has not moved within the last 12 months. In respect of work in progress and finished goods, cost includes a relevant proportion of overheads according to the stage of manufacture/completion.

GEDORE TORQUE LTD
(formerly MHH ENGINEERING COMPANY LIMITED)

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2015

**2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION
 UNCERTAINTY (continued)**

Deferred taxation

Deferred taxation is provided to take account of timing differences between the treatment of certain items for accounts purposes and their treatment for tax purposes.

3. TURNOVER

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

An analysis of turnover by geographical market is given below:

	2015 £	2014 £
United Kingdom	1,746,198	1,643,114
Rest of European Union	1,393,026	1,250,301
North and South America	1,123,769	907,486
Middle East and India	165,751	137,655
Rest of World	556,272	504,369
	<u>4,985,016</u>	<u>4,442,925</u>

4. STAFF COSTS

	2015 £	2014 £
Staff costs during the year (including directors' emoluments)		
Wages and salaries	1,856,293	1,867,693
Social security costs	173,916	166,408
Other pension costs	179,865	182,364
	<u>2,210,074</u>	<u>2,216,465</u>

	No	No
Average number of persons employed (including directors)		
Direct production	33	36
Sales and distribution	9	7
Administration and supervision	20	18
	<u>62</u>	<u>61</u>

	£	£
Directors' remuneration		
Emoluments etc	233,928	324,743
Pension contributions to money purchase schemes	6,568	6,658
Pension contributions to defined benefit scheme	20,631	32,057
Compensation for loss of office	-	30,000
	<u>-</u>	<u>30,000</u>

GEDORE TORQUE LTD
(formerly MHH ENGINEERING COMPANY LIMITED)

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2015

4. STAFF COSTS (continued)

	2015 No	2014 No
The number of directors to whom retirement benefits are accruing is as follows:		
Money purchase schemes	2	1
Defined benefit schemes	2	3
	<u>2</u>	<u>3</u>
	£	£
Information regarding the highest paid director is as follows:		
Emoluments etc	78,354	140,544
Pension contributions to money purchase schemes	-	-
Pension contributions to defined benefit scheme	10,567	12,549
	<u>10,567</u>	<u>12,549</u>

5. OPERATING PROFIT

	2015 £	2014 £
Operating profit is stated after charging (crediting):		
Depreciation - owned assets	294,230	261,975
Profit on disposal of fixed assets	(5,953)	(14,286)
The analysis of auditor's remuneration is as follows:		
Fees payable to the company's auditor for the audit of the company's annual accounts	21,911	18,360
Non-audit fees	6,150	4,100
Foreign exchange differences	3,987	(13,783)
Research and development	149,039	137,212
Rental income	(149,630)	(147,097)
Amounts due under operating leases - other	12,180	-
	<u>12,180</u>	<u>-</u>

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

Analysis of the tax charge

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

	2015 £	2014 £
Current tax		
UK corporation tax	46,044	67,903
Adjustment in respect of prior period	1,070	-
	<u>47,114</u>	<u>67,903</u>
Total current tax	47,114	67,903
Deferred tax (note 12)	31,819	46,470
	<u>31,819</u>	<u>46,470</u>
Tax on profit on ordinary activities	78,933	114,373
	<u>78,933</u>	<u>114,373</u>
Equity items		
Deferred tax current year credit	(15,402)	-
	<u>(15,402)</u>	<u>-</u>

GEDORE TORQUE LTD
(formerly MHH ENGINEERING COMPANY LIMITED)

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2015

6. TAX ON PROFIT ON ORDINARY ACTIVITIES (continued)

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:

	2015 £	2014 £
Profit on ordinary activities before tax	450,409	403,874
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 20.25% (2015 - 21.49%)	91,208	86,793
Effects of:		
Expenses not deductible for tax purposes	4,232	(12,721)
Adjustments to tax charge in respect of previous periods	1,070	49,146
Research and development enhanced deduction	-	(8,845)
Change in tax rates	(17,577)	-
Total tax charge	78,933	114,373

Factors that may affect future tax charges

In recent years the UK Government has steadily reduced the rate of UK corporation tax, with the latest rates substantively enacted in July 2013 now standing at 21% with effect from 1 April 2014 and 20% with effect from 1 April 2015.

In the Budget on 8 July 2015, the UK Government proposed, amongst other things, to further reduce the main rate of UK corporation tax to 19% with effect from 1 April 2017 and to 18% with effect from 1 April 2020. These rate changes were substantively enacted in the Finance Bill 2015 on 26 October 2015.

The closing deferred tax assets and liabilities have been calculated at 18% in accordance with the rates enacted at the balance sheet date.

7. DIVIDENDS

	2015 £	2014 £
Interim dividend of 29.3p per share (2014 - 18.3p per share)	400,000	250,000

GEDORE TORQUE LTD
(formerly MHH ENGINEERING COMPANY LIMITED)

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2015

8. TANGIBLE FIXED ASSETS

	Freehold land and buildings £	Plant and machinery and vehicles £	Fixtures and fittings £	Total £
Cost or valuation				
At 1 January 2015	1,483,592	3,104,266	983,398	5,571,256
Additions	-	342,778	59,057	401,835
Disposals	-	(53,250)	(1,637)	(54,887)
At 31 December 2015	1,483,592	3,393,794	1,040,818	5,918,204
Accumulated depreciation				
At 1 January 2015	292,837	2,063,803	732,516	3,089,156
Charge for the year	17,672	200,138	76,420	294,230
Eliminated on disposals	-	(25,455)	(1,330)	(26,785)
At 31 December 2015	310,509	2,238,486	807,606	3,356,601
Net book value				
At 31 December 2015	1,173,083	1,155,308	233,212	2,561,603
At 31 December 2014	1,190,755	1,040,463	250,882	2,482,100

Cost or valuation at 31 December 2015 is represented by:

	Freehold land and buildings £	Plant and machinery and vehicles £	Fixtures and fittings £	Total £
Valuation in 1999	806,251	-	-	806,251
Cost	677,341	3,393,794	1,040,818	5,111,953
	1,483,592	3,393,794	1,040,818	5,918,204

If freehold land and buildings had not been revalued they would have been included at the following historical cost:

	2015 £	2014 £
Cost	677,341	677,341
Aggregate depreciation	305,221	293,457
Value of land in freehold land and buildings	30,000	30,000

The freehold land and buildings were valued on the basis of open market value for their existing use as at 26 August 1999. The Directors are of the opinion that the current market value is not less than this figure.

Freehold land and buildings are included at valuation in accordance with the transitional arrangements of FRS 15. The valuation made in 1999 will not be updated.

GEDORE TORQUE LTD
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NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2015

9. STOCKS

	2015	2014
	£	£
Raw materials	95,647	77,328
Work-in-progress	886,598	795,459
Finished goods	97,100	194,130
	<u>1,079,345</u>	<u>1,066,917</u>

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

10. DEBTORS

	2015	2014
	£	£
Trade debtors	669,303	712,142
Amounts owed by group undertakings	1,063,278	1,423,212
Other debtors	83,161	69,719
Prepayments and accrued income	9,267	32,621
	<u>1,825,009</u>	<u>2,237,694</u>

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2015	2014
	£	£
Trade creditors	254,423	233,226
Amounts owed to group undertakings	8,389	-
Corporation tax	31,140	66,833
Social security and other taxes	41,334	45,601
Accruals and deferred income	140,209	94,605
	<u>475,495</u>	<u>440,265</u>

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NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2015

12. PROVISIONS FOR LIABILITIES

Deferred taxation

	2015 £	2014 £
Short term timing differences	(4,327)	(5,151)
On the excess of capital allowances over depreciation	295,720	280,127
	<u>291,393</u>	<u>274,976</u>
		Deferred tax £
At 31 December 2014		119,770
Changes on transition to FRS 102 (note 19)		<u>155,206</u>
As restated at 1 January 2015		274,976
Provided during the year		31,819
Amount credited to equity		<u>(15,402)</u>
At 31 December 2015		<u>291,393</u>

13. CALLED UP SHARE CAPITAL AND RESERVES

	2015 £	2014 £
Called up, allotted and fully paid		
1,366,004 ordinary shares of £1 each	1,366,004	1,366,004

The company's other reserves are as follows:

The revaluation reserve represents the revaluation of land and buildings at their open market value on 26 August 1999 less aggregate depreciation to date.

The profit and loss reserve represents cumulative profits or losses, net of dividends paid and other adjustments.

14. PENSION COMMITMENTS

DEFINED BENEFIT SCHEME

The company operates a funded pension scheme based on final pensionable pay. The assets of the scheme are held separately from those of the company, being invested with insurance companies. The scheme was closed to new members during the year to 31 December 2002.

The directors have agreed with the shareholder that the additional costs of obtaining actuarial pension information related to the pension scheme as at 31 December 2015 and 31 December 2014 as required by FRS 102 Section 28 would be disproportionate to any benefits obtained in providing the information.

As such, these financial statements do not comply with the requirements of FRS 102 Section 28.

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NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2015

14. PENSION COMMITMENTS (continued)

Composition

A full actuarial valuation was performed at 6 April 2013 which identified a funding shortfall. A recovery plan was put in place during the year ended 31 December 2015 starting with payments from December 2016. As the company does not comply with FRS 102 Section 28, the company's balance sheet does not include any asset or liability in respect of this pension scheme.

Contributions

During the year ended 31 December 2015 the company's contributions have been 15.25% (2014: 15.25%) of pensionable salary.

The pension charge for the year was £88,321 (2014: £99,944), no lump sum contribution has been made in the current or prior year.

The pension creditor at the end of the year was £10,100 (2014: £13,161).

DEFINED CONTRIBUTION SCHEME

The company operates a Group Personal Pension Scheme. The assets of the scheme are held separately from those of the company in an independently administered fund.

The pension charge for the year was £91,544 (2014: £82,420). The pension creditor at the end of the year was £13,939 (2014: £12,594).

15. FINANCIAL COMMITMENTS

The total future minimum lease payments are as follows:

	2015 £	2014 £
Within one year	13,069	-
Between one and five years	31,623	-
	<u>44,692</u>	<u>-</u>

The total future lease payments receivable in respect of leasing of property to external parties are as follows:

	2015 £	2014 £
Within one year	<u>41,629</u>	<u>41,629</u>

16. ULTIMATE PARENT COMPANY

The ultimate parent undertaking is Gedore Holding GmbH, a company incorporated in Germany. Copies of the consolidated group accounts can be obtained from Remscheider Str. 149, 42899 Remscheid, Germany.

The smallest and largest group into which the company is consolidated is Gedore Holdings GmbH.

GEDORE TORQUE LTD
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NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2015

17. RELATED PARTY DISCLOSURES

Other group companies

During the year the Company made sales of £631,392 (2014: £496,760) and charged management fees, interest and other costs of £22,323 (2014: £135,061) to other group members and incurred costs of £207,359 (2014: £187,266) from other group members.

	2015 £	2014 £
Amount due from related party at the balance sheet date	1,063,278	1,423,212
Amount due to related party at the balance sheet date	8,389	-

The rate of interest charged was 1.5% + 12 Month EURIBOR (2014: 1.5% + 12 Month EURIBOR).

Key management personnel are deemed to be the directors of the Company, for whom the remuneration is disclosed in note 4. No other transactions with key management personnel took place in the current or prior year.

18. ULTIMATE CONTROLLING PARTY

The ultimate controlling party is Frau K Dowidat.

Frau K Dowidat controls the company as she holds a majority interest in the ultimate parent undertaking.

19. EXPLANATION OF TRANSITION TO FRS 102

This is the first year that the Company has presented its financial statements under Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council. The last financial statements under previous UK GAAP were for the year ended 31 December 2014 and the date of transition to FRS 102 was therefore 1 January 2014.

As a consequence of adopting FRS 102, there is a change of accounting policy for the deferred tax.

Reconciliation of equity

	At 31 December 2014 £	At 1 January 2014 £
Equity reported under previous GAAP	6,032,753	5,993,252
Adjustments to equity on transition to FRS 102	(155,206)	(156,387)
Equity reported under FRS 102	5,877,547	5,836,865

Notes to the reconciliation of equity at 1 January 2015

Deferred tax under FRS 102 has been recognised on the fair value revaluations of fixed assets in line with the requirements of Section 29 of FRS 102.