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**MARTIN SPROCKET & GEAR UK LIMITED**

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**FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 30 JUNE 2021**

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**MARTIN SPROCKET & GEAR UK LIMITED**

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**COMPANY INFORMATION**

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<b>Directors</b>	J R Martin (appointed 2 April 2020) C B Milliken (appointed 2 April 2020) C R Reynolds (appointed 2 April 2020)
<b>Company secretary</b>	Halco Secretaries Limited
<b>Registered number</b>	12545329
<b>Registered office</b>	5 Fleet Place London EC4M 7RD
<b>Independent auditors</b>	Ecovis Wingrave Yeats LLP Chartered Accountants and Statutory Auditor 3rd Floor Waverley House 7-12 Noel Street London W1F 8GQ

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**MARTIN SPROCKET & GEAR UK LIMITED**  
**REGISTERED NUMBER: 12545329**

**BALANCE SHEET**  
**AS AT 30 JUNE 2021**

	Note	2021 £
<b>Fixed assets</b>		
Tangible assets	5	402,418
		<u>402,418</u>
<b>Current assets</b>		
Stocks	6	1,062,258
Debtors: amounts falling due after more than one year	7	387,850
Debtors: amounts falling due within one year	7	474,565
		<u>1,924,673</u>
Creditors: amounts falling due within one year	8	<u>(3,171,731)</u>
<b>Net current (liabilities)/assets</b>		<b>(1,247,058)</b>
<b>Total assets less current liabilities</b>		<b>(844,640)</b>
<b>Net (liabilities)/assets</b>		<b>(844,640)</b>
<b>Capital and reserves</b>		
Called up share capital	9	100
Profit and loss account		<u>(844,740)</u>
		<u><u>(844,640)</u></u>

The financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime and in accordance with the provisions of FRS 102 Section 1A - small entities.

The financial statements have been delivered in accordance with the provisions applicable to companies subject to the small companies regime.

The Company has opted not to file the statement of comprehensive income in accordance with provisions applicable to companies subject to the small companies' regime.

The financial statements were approved and authorised for issue by the board and were signed on its behalf on

16 March 2023

*Mr Charles Reynolds*

**C R Reynolds**  
 Director

The notes on pages 2 to 9 form part of these financial statements.

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## MARTIN SPROCKET & GEAR UK LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021

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#### 1. General information

Martin Sprocket & Gear UK Limited is a private company, limited by shares, domiciled in England and Wales, registration number 12545329. The Company's registered office is 5 Fleet Place, London, EC4M 7RD.

The Company was incorporated on 2 April 2020 and the period to 30 June 2021 represents the Company's first set of financial statements.

#### 2. Accounting policies

##### 2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Section 1A of Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied:

##### 2.2 Going concern

The parent company Martin Sprocket & Gear, Inc. has indicated that it is willing to provide ongoing support to the Company in order to meet its financial obligations as they fall due. The directors are therefore satisfied that the statutory financial statements can be prepared under the going concern basis.

##### 2.3 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

##### Sale of goods

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the Company has transferred the significant risks and rewards of ownership to the buyer;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

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## MARTIN SPROCKET & GEAR UK LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021

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#### 2. Accounting policies (continued)

##### 2.4 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Plant and machinery	- 5 years
Office equipment	- 3 years
Leasehold improvements	- 10 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

##### 2.5 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

##### 2.6 Financial instruments

The Company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or in case of an out-right short-term loan that is not at market rate, the financial asset or liability is measured, initially at the present value of future cash flows discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost, unless it qualifies as a loan from a director in the case of a small company, or a public benefit entity concessionary loan.

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## MARTIN SPROCKET & GEAR UK LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021

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#### 2. Accounting policies (continued)

##### 2.7 Foreign currency translation

###### Functional and presentation currency

The Company's functional and presentational currency is GBP.

###### Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of Comprehensive Income within 'finance income or costs'. All other foreign exchange gains and losses are presented in profit or loss within 'other operating income'.

##### 2.8 Operating leases: the Company as lessee

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

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight-line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

##### 2.9 Finance costs

Finance costs are charged to profit or loss over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

##### 2.10 Borrowing costs

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

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**MARTIN SPROCKET & GEAR UK LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 30 JUNE 2021**

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**2. Accounting policies (continued)**

**2.11 Pensions**

**Defined contribution pension plan**

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in profit or loss when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the Company in independently administered funds.

**2.12 Taxation**

Tax is recognised in profit or loss except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.



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## MARTIN SPROCKET & GEAR UK LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021

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#### 3. Judgments in applying accounting policies and key sources of estimation uncertainty

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

Fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

##### **Stock provision**

Management are required to assess the valuation and ageing of stock and whether the valuation is appropriate. When necessary stock impairments are required to accurately estimate the value for stock held.

##### **Deferred tax asset**

Management is required to assess whether it is appropriate to recognise a deferred tax asset relating to taxable losses available to the Company. The recognition of deferred tax assets is based upon whether it is more likely than not that sufficient and suitable taxable profits will be available in the future against which the reversal of losses and other deductions can be deducted.

To determine the future taxable profits, reference is made to the latest available forecasts. Therefore, this involves judgement regarding the future financial performance of the Company in which a deferred tax asset has been recognised.

The Company has not recorded a deferred tax asset due to the uncertainty as to whether and when future taxable profits will arise.

##### **Taxation**

The Company has tax losses carried forward of approximately £160,000 which are available to offset against future trading profits.

#### 4. Employees

The average monthly number of employees, including directors, during the period was 5.

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NOTES TO THE FINANCIAL STATEMENTS  
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5. Tangible fixed assets

	Long-term leasehold property £	Plant and machinery £	Office equipment £	Total £
<b>Cost or valuation</b>				
Additions	410,410	23,698	5,799	439,907
At 30 June 2021	410,410	23,698	5,799	439,907
<b>Depreciation</b>				
Charge for the period on owned assets	33,136	3,366	987	37,489
At 30 June 2021	33,136	3,366	987	37,489
<b>Net book value</b>				
At 30 June 2021	377,274	20,332	4,812	402,418

6. Stocks

	2021 £
Stocks	1,062,258
	1,062,258

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 30 JUNE 2021

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7. Debtors

	2021 £
<b>Due after more than one year</b>	
Other debtors	387,850
	<u>387,850</u>
	2021 £
<b>Due within one year</b>	
Trade debtors	135,841
Other debtors	296,324
Prepayments and accrued income	42,400
	<u>474,565</u>

8. Creditors: Amounts falling due within one year

	2021 £
Bank overdrafts	1,004
Trade creditors	72,208
Amounts owed to group undertakings	2,939,953
Other taxation and social security	10,111
Accruals and deferred income	148,455
	<u>3,171,731</u>

Amounts owed to group undertakings are unsecured, interest free and repayable on demand.

9. Share capital

	2021 £
<b>Allotted, called up and fully paid</b>	
100 Ordinary shares shares of £1.00 each	<u>100</u>

Upon incorporation, 100 ordinary shares at a value of £1 each were issued.

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## MARTIN SPROCKET & GEAR UK LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021

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#### 10. Pension commitments

The Company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to £8,302. Contributions totalling £2,127 were payable to the fund at the balance sheet date and are included in creditors.

#### 11. Commitments under operating leases

At 30 June 2021 the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	2021 £
Not later than 1 year	176,328
Later than 1 year and not later than 5 years	1,271,583
Later than 5 years	1,279,365
	<u>2,727,276</u>

#### 12. Related party transactions

Martin Sprocket & Gear UK Limited has taken the exemption under FRS 102 section 33 Related Party Disclosures paragraph 33.1A, whereby the company is not required to disclose transactions with other wholly owned subsidiaries.

#### 13. Controlling party

The immediate parent company is Martin Sprocket & Gear International, Inc., a company incorporated in the USA. The results of this Company are included in the consolidated accounts of the ultimate parent company, Martin Sprocket & Gear Inc., a company incorporated in the USA., copies of which can be found at their registered office address at 3100 Sprocket Drive, Arlington, Texas, United States.

#### 14. Auditors' information

The auditors' report on the financial statements for the period ended 30 June 2021 was qualified.

~~The qualification in the audit report was as follows:~~

We were not appointed as auditor of the Company until after 30 June 2021 and thus did not observe the counting of physical inventories at the end of the period. We were unable to satisfy ourselves and obtain sufficient appropriate audit evidence regarding the stock quantities by alternative means concerning the inventory quantities held at 30 June 2021, which are included in the balance sheet at £1,062,258. Consequently, we were unable to determine whether any adjustment to this amount was necessary.

The audit report was signed on 17 March 2023 by Stuart Hinds (Senior Statutory Auditor) on behalf of Ecovis Wingrave Yeats LLP.