

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016
FOR
MECHTRONIC LIMITED

M R Salvage Limited
Chartered Accountants
and Statutory Auditors
7/8 Eghams Court
Boston Drive
Bourne End
Buckinghamshire
SL8 5YS

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FOR THE YEAR ENDED 31 DECEMBER 2016

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MECHTRONIC LIMITED
COMPANY INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2016

DIRECTORS:

M J Wilkie
G E Nel
S R Weeks
G J Morrell
S P B Haigh

SECRETARY:

M J Wilkie

REGISTERED OFFICE:

7/8 Eghams Court
Boston Drive
Bourne End
Buckinghamshire
SL8 5YS

BUSINESS ADDRESS:

15 Lower Wortley Road
Wortley
Leeds
LS12 4RY

REGISTERED NUMBER:

05024854 (England and Wales)

AUDITORS:

M R Salvage Limited
Chartered Accountants
and Statutory Auditors
7/8 Eghams Court
Boston Drive
Bourne End
Buckinghamshire
SL8 5YS

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF

MECHTRONIC LIMITED

Although the company is not required to file a Directors' Report or Statement of Profit or Loss and Other Comprehensive Income, the Companies Act 2006 requires the accompanying Report of the Auditors to be a copy of our report to the shareholders on the company's full Financial Statements and Report of the Directors. Readers are cautioned that the Statement of Profit or Loss and Other Comprehensive Income and certain other primary statements and the Report of the Directors, which may be referred to in the copy of our Report of the Auditors, are not required to be filed with the Registrar of Companies.

We have audited the financial statements of Mechtronic Limited for the year ended 31 December 2016 which comprise the Statement of Profit or Loss and Other Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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 auditors

As explained more fully in the Statement of Directors' Responsibilities, 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 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 company's affairs as at 31 December 2016 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF

MECHTRONIC LIMITED

Opinion 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 Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Report of the Directors has been prepared in accordance with applicable legal requirements;

Matters on which we are required to report by exception

In the light of our knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Report of the Directors.

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- *the directors were not entitled to take advantage of the small companies' exemption from the requirement to prepare a Strategic Report or in preparing the Report of the Directors.*

MR Salvage Limited

John Taylor BSc FCA ATII (Senior Statutory Auditor)
for and on behalf of M R Salvage Limited
Chartered Accountants
and Statutory Auditors
7/8 Eghams Court
Boston Drive
Bourne End
Buckinghamshire
SL8 5YS

Date: *28th March 2017*

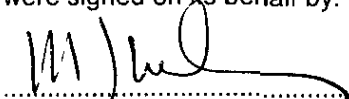
STATEMENT OF FINANCIAL POSITION**31 DECEMBER 2016**

	Notes	2016 £	2015 £
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	8	4,858	4,858
Property, plant and equipment	9	333,941	360,399
Deferred tax	18	<u>2,750</u>	<u>2,750</u>
		<u>341,549</u>	<u>368,007</u>
CURRENT ASSETS			
Inventories	10	651,499	615,486
Trade and other receivables	11	1,445,361	455,747
Tax receivable		46,639	-
Cash and cash equivalents	12	<u>327</u>	<u>245,250</u>
		<u>2,143,826</u>	<u>1,316,483</u>
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	13	813,137	570,018
Financial liabilities - borrowings			
Bank overdrafts	14	783,606	-
Tax payable		-	11,453
Provisions	17	<u>157,315</u>	<u>114,760</u>
		<u>1,754,058</u>	<u>696,231</u>
NET CURRENT ASSETS		<u>389,768</u>	<u>620,252</u>
NET ASSETS		<u>731,317</u>	<u>988,259</u>
SHAREHOLDERS' EQUITY			
Called up share capital	19	11,112	11,112
Share premium		49,445	49,445
Retained earnings		<u>670,760</u>	<u>927,702</u>
TOTAL EQUITY		<u>731,317</u>	<u>988,259</u>

The financial statements have been prepared and delivered in accordance with the special provisions of Part 15 of the Companies Act 2006 relating to small companies.

In accordance with Section 444 (5) of the Companies Act 2006 the financial statements delivered to the Registrar of Companies do not include a Directors' Report and Statement of Profit or Loss and Other Comprehensive Income.

The financial statements were approved by the Board of Directors on 27/03/2017 and were signed on its behalf by:



 M J Wilkie - Director

The notes form part of these financial statements

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2016

	Called up share capital £	Retained earnings £	Share premium £	Total equity £
Balance at 1 January 2015	11,112	915,899	49,445	976,456
Changes in equity				
Dividends	-	(100,000)	-	(100,000)
Total comprehensive income	-	111,803	-	111,803
Balance at 31 December 2015	<u>11,112</u>	<u>927,702</u>	<u>49,445</u>	<u>988,259</u>
Changes in equity				
Dividends	-	(100,000)	-	(100,000)
Total comprehensive income	-	(156,942)	-	(156,942)
Balance at 31 December 2016	<u>11,112</u>	<u>670,760</u>	<u>49,445</u>	<u>731,317</u>

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2016

	2016 £	2015 £
Cash flows from operating activities		
Cash generated from operations 1	(1,027,926)	503,590
Interest paid	(9,061)	(7,393)
Tax paid	(11,604)	(3,428)
Taxation refund	<u>47,828</u>	<u>60,974</u>
Net cash from operating activities	<u>(1,000,763)</u>	<u>553,743</u>
Cash flows from investing activities		
Purchase of property, plant and equipment	(749)	(31,887)
Interest received	<u>3,720</u>	<u>901</u>
Net cash from investing activities	<u>2,971</u>	<u>(30,986)</u>
Cash flows from financing activities		
Movements in group debt	69,263	59,998
Amount introduced by directors	-	40,002
Equity dividends paid	<u>(100,000)</u>	<u>(100,000)</u>
Net cash from financing activities	<u>(30,737)</u>	<u>-</u>
	<u> </u>	<u> </u>
(Decrease)/increase in cash and cash equivalents	(1,028,529)	522,757
Cash and cash equivalents at beginning of year 2	245,250	(277,507)
	<u> </u>	<u> </u>
Cash and cash equivalents at end of year 2	<u>(783,279)</u>	<u>245,250</u>

The notes form part of these financial statements

NOTES TO THE STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2016

1. RECONCILIATION OF (LOSS)/PROFIT BEFORE INCOME TAX TO CASH GENERATED FROM OPERATIONS

	2016 £	2015 £
(Loss)/profit before income tax	(251,258)	62,282
Depreciation charges	27,208	36,974
Increase/(decrease) in provisions	42,555	(12,767)
Finance costs	9,061	7,393
Finance income	(3,720)	(901)
	(176,154)	92,981
(Increase)/decrease in inventories	(36,013)	11,918
(Increase)/decrease in trade and other receivables	(989,614)	214,489
Increase in trade and other payables	173,855	184,202
Cash generated from operations	(1,027,926)	503,590

2. CASH AND CASH EQUIVALENTS

The amounts disclosed on the Statement of Cash Flows in respect of cash and cash equivalents are in respect of these Statement of Financial Position amounts:

Year ended 31 December 2016

	31.12.16 £	1.1.16 £
Cash and cash equivalents	327	245,250
Bank overdrafts	(783,606)	-
	<u>(783,279)</u>	<u>245,250</u>

Year ended 31 December 2015

	31.12.15 £	1.1.15 £
Cash and cash equivalents	245,250	65
Bank overdrafts	-	(277,572)
	<u>245,250</u>	<u>(277,507)</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

1. ACCOUNTING POLICIES

Corporate information

Mechtronic Limited is a private limited company incorporated and domiciled in the United Kingdom. The address of the registered office is given on page 1. The principal activity of the company in the year under review was that of the design, sale and servicing of fluid control systems for the oil industry.

Implementation of new accounting standards

With effect from 1 January 2016, Mechtronic Limited has implemented, where applicable, Amendments to IAS 1 - 'Disclosure initiative', Amendments to IAS 16 and IAS 38 - 'Clarification of acceptable methods of depreciation and amortisation', Amendments to IAS 16 and IAS 41 - 'Bearer plants', Amendments to IAS 19 - 'Defined benefit plans : Employee contributions', Amendments to IAS 27 - 'Equity method in separate financial statements', Amendments to IFRS 10, IFRS 12 and IAS 28 : 'Investment Entities - Applying the consolidation exception', Amendments to IFRS 11 - 'Accounting for acquisitions of interests in joint operations', Annual Improvements to International Financial Reporting Standards 2010-2012 Cycle and Annual Improvements to International Financial Reporting Standards 2012-2014 Cycle .

These revisions had no material impact on the current period or the prior period.

Basis of preparation

These financial statements have been prepared in accordance with the International Financial Reporting Standards and IFRIC interpretations as adopted by the European Union and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention.

At the date of approval of these financial statements the following standards, amendments to existing standards and interpretations which are in issue but not yet effective have not been applied in these financial statements:

IFRS 9 'Financial Instruments'

IFRS 15 'Revenue from contracts with customers' including amendments to IFRS 15: Effective date of IFRS 15'

In addition, the following standards, amendments to existing standards and interpretations are in issue but have not yet been endorsed by the EU:

IFRS 14 'Regulatory deferral accounts'

IFRS 16 'Leases'

IFRIC Interpretation 22 'Foreign currency transactions and advance consideration'

Amendments to IAS 7 - 'Disclosure initiative'

Amendments to IAS 12 - 'Recognition of deferred tax assets for unrealised losses'

Amendments to IAS 40 - 'Transfers of investment property'

Amendments to IFRS 2 - 'Classification and measurement of share-based payment transactions'

Amendments to IFRS 4 - 'Applying IFRS 9 Financial instruments with IFRS 4 Insurance contracts'

Amendments to IFRS 10 and IAS 28 - 'Sale of contribution of assets between an investor and its associate or joint venture'

Clarifications to IFRS 15 'Revenue from Contracts with Customers'

Annual Improvements to International Financial Reporting Standards 2014-2016 Cycle

The directors anticipate that, except for IFRS 16 'Leases', these standards or interpretations will either not be applicable to the company or that adoption in future periods will have no material impact on the financial statements of the company. IFRS 16 is not expected to be effective for this company until at least 31 December 2019.

NOTES TO THE FINANCIAL STATEMENTS - continued

FOR THE YEAR ENDED 31 DECEMBER 2016

1. ACCOUNTING POLICIES – continued

Whereas minimum lease commitments for non-cancellable operating leases are not capitalised under existing International Financial Reporting Standards and IFRIC Interpretations, if IFRS 16 is endorsed by the EU as drafted, the Statement of Financial Position for future periods will be adjusted to include additional assets for land and buildings and motor vehicles within property, plant and equipment and to include liabilities for an equal amount within current and non-current liabilities in relation to ongoing lease commitments for these assets. There would be no expected impact on the retained income or on net assets as a result of the implementation of IFRS 16. The minimum lease commitments for non-cancellable operating leases as at 31 December 2016 are disclosed in the notes to these financial statements.

In accordance with s444(5) of the Companies Act 2006 the financial statements prepared for delivery to the Registrar of Companies do not include an income statement or directors' report as the company qualifies as a small company.

Revenue recognition

Revenue is recognised only when it is probable that the economic benefits associated with the transaction will flow to the company and the amount of revenue can be reliably estimated.

Revenue represents amounts receivable for goods and services net of VAT and trade discounts.

Where applicable, revenue is recognised as contract activity progresses under contractual obligations on a percentage of completion method.

Property, plant and equipment

The directors consider that after taking into account the company's policy of maintaining its freehold property in a continual state of sound repair and making improvements from time to time, the expected residual value of the property is greater than the amount at which the property is included in the accounts. The directors also consider that as the remaining useful life of the property is more than 50 years, the depreciation charge would be insignificant.

Other property, plant and equipment is reflected at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is provided at the following annual rates in order to write off the depreciable amount of each asset over its estimated useful life.

Plant and machinery	- 20% straight line
Fixtures, fittings and equipment	- 20% or 33.3% straight line
Motor vehicles	- 25% on cost

NOTES TO THE FINANCIAL STATEMENTS - continued

FOR THE YEAR ENDED 31 DECEMBER 2016

1. ACCOUNTING POLICIES - continued

Financial instruments

The company uses certain financial instruments in its normal operating and investing activities, which are deemed appropriate to its circumstances, such as trade receivables and trade payables, cash at bank deposits and bank overdrafts, loans and equity shares and forward foreign exchange contracts. *Financial assets and liabilities are recognised on the company's statement of financial position (balance sheet) when the company has become a party to the contractual provisions of the instrument.*

Cash and cash equivalents comprise cash on hand and on demand deposits, and other short term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Financial assets

In accordance with IFRS 7, trade receivables, loans and other receivables that have fixed or determinable payments are classified as 'Loans and receivables' and are measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest rate, except for short term receivables when the recognition of interest would be immaterial.

Financial assets are assessed for impairment at each statement of financial position date and any impairment recognised in the profit or loss for the year in the statement of comprehensive income. Trade receivables are assessed for collectability and where appropriate the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account and changes in the carrying amount of the allowance account are recognised in the profit or loss for the year in the statement of comprehensive income.

Debt and equity instruments issued by the company

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Financial liabilities

In accordance with IFRS 7 financial liabilities such as trade payables and loans are classified as 'Other financial liabilities' and are measured initially at fair value. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, except for short term payables when the recognition of interest would be immaterial.

Inventories

Inventories are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Cost includes all direct expenditure and, where applicable, an appropriate proportion of fixed and variable overheads. Cost is calculated on a weighted average basis.

Net realisable value represents the estimated selling price less all estimated costs of completion, marketing, selling and distribution.

Taxation

Current taxes are based on the results shown in the financial statements and are calculated according to local tax rules, using tax rates enacted or substantially enacted by the statement of financial position date.

NOTES TO THE FINANCIAL STATEMENTS - continued

FOR THE YEAR ENDED 31 DECEMBER 2016

1. ACCOUNTING POLICIES - continued

Research and development

Expenditure on research is charged to the statement of comprehensive income in the year in which it is incurred.

Development costs, for example for product design or testing, are recognised as intangible assets when certain criteria are met, which include the reliable measurement and attribution of the costs, and reasonable certainty of the technical feasibility and future commercial viability of the product. Development costs that are capitalised as intangible assets are amortised over the estimated useful life.

Development costs that do not meet the criteria above are charged to the statement of comprehensive income as incurred.

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the statement of financial position 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.

Employee benefit costs

The company operates a defined contribution pension scheme. Contributions payable to the company's pension scheme are charged to the statement of comprehensive income in the period to which they relate.

Hire purchase and leasing commitments

Assets obtained under hire purchase or finance leases, where the company has substantially all the risks and rewards of ownership, are capitalised in the statement of financial position. 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 shorter.

The interest element of these obligations is charged to the statement of comprehensive income over the relevant period. The capital element of the future payments is treated as a liability.

Leases in which a significant proportion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the statement of comprehensive income on a straight line basis over the period of the lease.

Deferred tax

Deferred tax is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. The deferred tax balance has not been discounted.

Critical accounting estimates and areas of judgement

The company makes estimates and assumptions concerning the future, and judgements in applying the company's accounting policies. The resulting accounting estimates will, by definition, seldom equal the actual results. There were no estimates or assumptions that have a significant risk of causing a material adjustment to the carrying value of assets and liabilities within the next financial year.

Comparative information

The directors consider that certain motor and travelling costs should be in cost of sales and certain salaries and related costs in administrative expenses rather than them being in distribution costs in order for the financial statements to give a fairer presentation. For the same reason certain research and development costs should be included in administrative expenses instead of cost of sales. Accordingly, the comparative figures have been adjusted to include £107,266 in cost of sales and £279,553 in administrative expenses which were previously included within distribution costs and £8,192 in administrative expenses which was previously included within cost of sales. There was no impact on the reported result for the prior period.

NOTES TO THE FINANCIAL STATEMENTS - continued**FOR THE YEAR ENDED 31 DECEMBER 2016****2. EMPLOYEES AND DIRECTORS**

	Year Ended 31.12.16 £	Year Ended 31.12.15 £
Wages and salaries	702,035	798,717
Social security costs	<u>68,754</u>	<u>75,819</u>
	<u>770,789</u>	<u>874,536</u>
	Year Ended 31.12.16 £	Year Ended 31.12.15 £
Directors remuneration	<u>133,047</u>	<u>139,645</u>

3. OTHER OPERATING LOSSES

Other operating losses relate to a theft enacted by an ex-employee during the year ended 31 December 2016. The tax effect of these other operating losses is to reduce the tax charge/increase the tax credit for the year by £148,902.

The directors have reviewed the other operating losses included in the year ended 31 December 2016 and the current position in relation to the theft and consider that there is no material contingent asset or contingent liability in relation to this theft requiring disclosure or adjustment as at 31 December 2016.

4. NET FINANCE COSTS

	2016 £	2015 £
Finance income:		
Other interest received	<u>3,720</u>	<u>901</u>
Finance costs:		
Bank interest	<u>9,061</u>	<u>7,393</u>
Net finance costs	<u>5,341</u>	<u>6,492</u>

5. (LOSS)/PROFIT BEFORE INCOME TAX

The loss before income tax (2015 - profit before income tax) is stated after charging:

	2016 £	2015 £
Cost of inventories recognised as expense	2,700,680	1,555,524
Depreciation - owned assets	27,207	36,974
Auditors' remuneration	7,950	7,725
Research and development	153,737	170,455
Exchange losses/(gains)	3,059	(1,618)
Cost of inventories written off in the year	22,910	67,000
Operating lease charges	<u>54,843</u>	<u>61,608</u>

NOTES TO THE FINANCIAL STATEMENTS - continued

FOR THE YEAR ENDED 31 DECEMBER 2016

6. INCOME TAX

Analysis of tax income

	2016 £	2015 £
Current tax:		
Corporation tax:		
Current period	(46,639)	11,453
Adjustments for prior period	<u>(47,677)</u>	<u>(60,974)</u>
 Total tax income in statement of profit or loss and other comprehensive income	 <u>(94,316)</u>	 <u>(49,521)</u>

Factors affecting the tax expense

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

	2016 £	2015 £
(Loss)/profit before income tax	<u>(251,258)</u>	<u>62,282</u>
 (Loss)/profit multiplied by the standard rate of corporation tax in the UK of 20% (2015 - 20.250%)	 (50,252)	12,612
Effects of:		
Expenses not deductible for tax purposes	300	404
Depreciation in excess of Capital Allowances/(Allowances in excess of depreciation)	3,313	(1,412)
Adjustment in respect of Research and Development relief	151	(60,974)
Adjustment in respect of Patent Box relief	(47,828)	-
Other differences	<u>-</u>	<u>(151)</u>
 Tax income	 <u>(94,316)</u>	 <u>(49,521)</u>

7. DIVIDENDS

	2016 £	2015 £
Dividends	<u>100,000</u>	<u>100,000</u>

For the year ended 31 December 2016, the following dividends were paid:
Dividends of £8.99 per ordinary share were paid in August 2016.

For the year ended 31 December 2015, the following dividends were paid:
Dividends of £8.99 per ordinary share were paid in January 2015.

8. INTANGIBLE ASSETS

	Development costs £
COST	
At 1 January 2016	
and 31 December 2016	<u>4,858</u>
 CARRYING AMOUNT	
At 31 December 2016	<u>4,858</u>

NOTES TO THE FINANCIAL STATEMENTS - continued

FOR THE YEAR ENDED 31 DECEMBER 2016

8. INTANGIBLE ASSETS - continued

	Development costs £
COST	
At 1 January 2015	
and 31 December 2015	<u>4,858</u>
CARRYING AMOUNT	
At 31 December 2015	<u>4,858</u>

9. PROPERTY, PLANT AND EQUIPMENT

	Freehold land and buildings £	Plant and machinery £	Fixtures, fittings and equipment £	Motor vehicles £	Totals £
COST					
At 1 January 2016	305,420	203,449	127,321	34,848	671,038
Additions	<u>-</u>	<u>-</u>	<u>749</u>	<u>-</u>	<u>749</u>
At 31 December 2016	<u>305,420</u>	<u>203,449</u>	<u>128,070</u>	<u>34,848</u>	<u>671,787</u>
DEPRECIATION					
At 1 January 2016	-	174,423	111,899	24,317	310,639
Charge for year	<u>-</u>	<u>11,186</u>	<u>7,309</u>	<u>8,712</u>	<u>27,207</u>
At 31 December 2016	<u>-</u>	<u>185,609</u>	<u>119,208</u>	<u>33,029</u>	<u>337,846</u>
CARRYING AMOUNT					
At 31 December 2016	<u>305,420</u>	<u>17,840</u>	<u>8,862</u>	<u>1,819</u>	<u>333,941</u>

	Freehold land and buildings £	Plant and machinery £	Fixtures, fittings and equipment £	Motor vehicles £	Totals £
COST					
At 1 January 2015	305,420	193,349	105,534	34,848	639,151
Additions	<u>-</u>	<u>10,100</u>	<u>21,787</u>	<u>-</u>	<u>31,887</u>
At 31 December 2015	<u>305,420</u>	<u>203,449</u>	<u>127,321</u>	<u>34,848</u>	<u>671,038</u>
DEPRECIATION					
At 1 January 2015	-	154,388	103,672	15,605	273,665
Charge for year	<u>-</u>	<u>20,035</u>	<u>8,227</u>	<u>8,712</u>	<u>36,974</u>
At 31 December 2015	<u>-</u>	<u>174,423</u>	<u>111,899</u>	<u>24,317</u>	<u>310,639</u>
CARRYING AMOUNT					
At 31 December 2015	<u>305,420</u>	<u>29,026</u>	<u>15,422</u>	<u>10,531</u>	<u>360,399</u>

NOTES TO THE FINANCIAL STATEMENTS - continued**FOR THE YEAR ENDED 31 DECEMBER 2016****9. PROPERTY, PLANT AND EQUIPMENT - continued**

The depreciation charge is included within administrative expenses.

The property was valued on 17 June 2015 by Scanlans Consultant Surveyors LLP at £325,000. The directors consider the carrying value of the property of £305,420 at 31 December 2015 and 31 December 2016 to be appropriate as it is not materially different from the fair value of the property and from the valuation figure.

The bank overdraft is secured on the freehold land and buildings.

10. INVENTORIES

	2016 £	2015 £
Inventories	<u>651,499</u>	<u>615,486</u>

Inventories above includes a provision of £38,906 (31 December 2015: £72,108) for slow moving and obsolete stock.

11. TRADE AND OTHER RECEIVABLES

	2016 £	2015 £
Current:		
Trade debtors	1,391,651	413,204
Other debtors	13,025	19
Prepayments	<u>40,685</u>	<u>42,524</u>
	<u>1,445,361</u>	<u>455,747</u>

12. CASH AND CASH EQUIVALENTS

	2016 £	2015 £
Cash in hand	327	103
Bank accounts	<u>-</u>	<u>245,147</u>
	<u>327</u>	<u>245,250</u>

13. TRADE AND OTHER PAYABLES

	2016 £	2015 £
Current:		
Trade creditors	588,512	413,440
Amounts owed to group undertakings	69,442	-
Social security and other taxes	19,010	20,438
Other creditors	33,966	33,825
Accruals and deferred income	54,839	49,510
VAT	<u>47,368</u>	<u>52,805</u>
	<u>813,137</u>	<u>570,018</u>

NOTES TO THE FINANCIAL STATEMENTS - continued

FOR THE YEAR ENDED 31 DECEMBER 2016

14. FINANCIAL LIABILITIES - BORROWINGS

	2016 £	2015 £
Current:		
Bank overdrafts	<u>783,606</u>	<u>-</u>
Terms and debt repayment schedule		
		1 year or less £
Bank overdrafts		<u>783,606</u>

Bank overdrafts are secured on the freehold land and buildings and are repayable on demand. They are also secured by a debenture and a fixed and floating charge over the group's assets, which include goodwill, intangible assets, property, plant and equipment, inventories, trade receivables and all other assets.

15. LEASING AGREEMENTS

Minimum lease payments under non-cancellable operating leases fall due as follows:

	2016 £	2015 £
Within one year	15,769	52,974
Between one and five years	<u>14,199</u>	<u>11,014</u>
	<u>29,968</u>	<u>63,988</u>

NOTES TO THE FINANCIAL STATEMENTS - continued

FOR THE YEAR ENDED 31 DECEMBER 2016

16. FINANCIAL INSTRUMENTS

Financial assets - Loans and receivables

	2016 £	2015 £
Trade receivables	1,401,446	415,070
Allowance for doubtful debts	(9,795)	(1,866)
	<u>1,391,651</u>	<u>413,204</u>

Movement in allowance for doubtful debts:

	2016 £	2015 £
Balance at 1 January 2016	1,866	1,632
Amounts written off in year	1,093	-
Amounts recovered in year	-	-
Increase or decrease recognised in the income statement	<u>6,836</u>	<u>234</u>
Balance at 31 December 2016	<u>9,795</u>	<u>1,866</u>

The average credit period for sales of goods is 92 days (31 December 2015: 50 days). No interest is charged on overdue trade receivables. The company believes all trade receivables are recoverable.

Included in the company's trade receivables are debtors with a carrying amount of £130,904 (31 December 2015: £65,466) which are past due at reporting date but for which the company has not provided as there has not been a significant change in the credit quality and the company still believes these amounts to be recoverable. The company does not hold any collateral over these balances. The average age of these receivables is 114 days (31 December 2015: 115 days).

In determining the recoverability of trade receivables the company considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly the directors believe that there is no further credit provision required in excess of the allowance for doubtful debts.

Financial liabilities

	2016	2015
Trade payables	588,512	413,440
Amounts owed to group undertakings	69,442	-
Bank overdraft	<u>783,606</u>	<u>-</u>
	<u>1,441,560</u>	<u>413,440</u>

The average credit period on purchases of goods is 60 days (31 December 2015: 61 days). No interest is charged on trade payables.

The company and group of which it is a part have policies in place to ensure that trade payables are paid within the credit timeframe.

NOTES TO THE FINANCIAL STATEMENTS - continued

FOR THE YEAR ENDED 31 DECEMBER 2016

16. FINANCIAL INSTRUMENTS - continued

Financial risk management

The company's activities expose it to a variety of financial risks: market risk (including currency risk and interest rate risk); *credit risk and liquidity risk*. Risk management policy is set by the parent company Board of Directors in conjunction with the company's management and seeks to minimise potential adverse effects on the company's position.

Liquidity risk

The maturity profile and details of financial liabilities are set out in note 13 and 14 to the financial statements. The company finances its operations partly through these borrowings. The company generally borrows in £ sterling at market rates of interest.

Liquidity risk management includes maintaining sufficient cash and cash equivalents and an adequate amount of committed credit facilities, and management regularly monitor levels of cash, borrowing facilities and expected future cash flows.

Credit risk

Credit risk primarily arises from credit exposures to customers. Risk control assesses the credit quality of customers taking into account financial position, past experience and other factors. Credit limits are regularly reviewed. As set out above, the Directors consider there is no material exposure to credit risk at balance sheet date.

Market risk

The company sells and buys internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Euro and the Dollar. The foreign exchange risk arises where assets or liabilities are denominated in a currency that is not the company's functional currency of £ sterling.

The company monitors foreign exchange risk arising on commercial transactions and where appropriate uses forward contracts to hedge the exposure.

At 31 December 2016 if the £ had weakened by 5% against the Euro, with all other variables held constant the pre tax profit would have been approximately £9,045 (31 December 2015: £3,651) lower mainly as a result of foreign exchange losses on Euro denominated payables.

At 31 December 2016 if the £ had weakened by 5% against the Canadian dollar, with all other variables held constant the pre tax profit would have been approximately £638 (31 December 2015: £359) lower mainly as a result of foreign exchange losses on Canadian dollar denominated payables.

The company does not have any significant interest bearing assets and accordingly the company's income and operating cash flows are substantially independent of changes in market interest rates. The company's interest rate risk arises from the bank overdraft borrowing at variable commercial interest rates. The directors are prepared to accept the level of risk this entails.

The impact on the profit before tax of an increase of 5% points on the average interest rate on the bank overdraft and loan interest would have reduced pre tax profit by £6,970 (31 December 2015: £5,687).

NOTES TO THE FINANCIAL STATEMENTS - continued**FOR THE YEAR ENDED 31 DECEMBER 2016****16. FINANCIAL INSTRUMENTS - continued****Capital risk management**

The group and company's objectives when managing capital are to safeguard the company's ability to continue as a going concern in order to provide returns to shareholders and benefits for other stakeholders and to maintain an optimal capital structure. Capital structure within the group is monitored by reference to the gearing ratio calculated as net debt divided by total capital. Net debt is calculated as borrowings and trade and other payables less cash and cash equivalents. Total capital is calculated as equity (as shown in the balance sheet) plus net debt. During the year the group's strategy was to maintain a gearing ratio in the range 25% to 50%.

17. PROVISIONS

	2016 £	2015 £
Warranty provision	<u>157,315</u>	<u>114,760</u>
Analysed as follows:		
Current	<u>157,315</u>	<u>114,760</u>

The company gives warranties on all systems sold and undertakes to make good by repair or replacement any manufacturing faults that become apparent within two years from the date of sale. A provision has therefore been made for the estimated cost of the outstanding warranty work to be carried out in future periods.

18. DEFERRED TAX

	2016 £	2015 £
Balance at 1 January	<u>(2,750)</u>	<u>(2,750)</u>
Balance at 31 December	<u>(2,750)</u>	<u>(2,750)</u>
	2016 £	2015 £
Deferred tax is analysed over the following timing differences:-		
Depreciation in excess of capital allowances	<u>(2,750)</u>	<u>(2,750)</u>

19. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	2016 £	2015 £
11,112	Ordinary	£1	<u>11,112</u>	<u>11,112</u>

NOTES TO THE FINANCIAL STATEMENTS - continued

FOR THE YEAR ENDED 31 DECEMBER 2016

20. ULTIMATE PARENT COMPANY

The company is a subsidiary undertaking of Flowmax Limited, incorporated in England and Wales.

The directors regard Flowmax Limited as the immediate parent company, and SA Bias Industries (Pty) Limited, a company registered in South Africa, as the ultimate parent company.

21. CONTINGENT LIABILITIES

The company, its immediate parent and fellow subsidiaries are party to an omnibus guarantee and set-off agreement given to Lloyds Bank plc in respect of group overdraft facilities. The total level of indebtedness at the year end amounted to £542,842 (2015: £nil).

22. RELATED PARTY DISCLOSURES

During the period, the company had the following transactions with related parties (all companies below are under common control):

Related party	Type of transaction	Year ended 31.12.16	Year ended 31.12.15
Action-Sealtite Limited	Purchases	152	-
Alpeco Limited	Sales	4,014	10,672
	Purchases	102,913	52,070
Flowmax Limited	Recharges from	71,866	48,581
Hytek (GB) Limited	Purchases	2,732	-
Industrial Flow Control Limited	Sales	-	149
	Purchases	505	-

At the year end £89 was due to Action-Sealtite Limited, £29,506 was due to Alpeco Limited (2015: £nil) and £39,848 was due to Flowmax Limited (2015: £nil). There were no balances outstanding between any of the other group companies.

During the year dividends were paid to the following related parties:

Name of party	Dividends paid	
	31.12.16	31.12.15
Flowmax Limited	61,465	59,998
Martyn Wilkie	22,543	22,003
Trevor Poulter	15,992	15,992
Andrew Spencer	-	2,007