Company Registration No. SC244681 (Scotland)

ICHOR SYSTEMS LTD

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

ICHOR SYSTEMS LTD

COMPANY INFORMATION

Directors	John Alexander Spence	
	Thomas Michael Rohrs	
	Jeffrey Andreson	(Appointed 31 December 2017)
Company number	SC244681	
Registered office	1 Livingstone Boulevard Hamilton International Technology Park Blantyre Scotland G72 0BP	
Auditor	Wylie & Bisset LLP 168 Bath Street Glasgow G2 4TP	
Bankers	Barclays Bank Plc PO Box 299 Birmingham B1 3PF	

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STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2017

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

Business Review

Ichor Systems Ltd specialises in legacy 200mm silicon wafer etching and deposition products in a fast-moving global semiconductor market. Being essentially capital expenditure, this is often a volatile market sensitive to macroeconomic forecasting. Global billings, which include more current 300mm-plus wafer technology, showed a significant increase of 21.6% in 2017 (source: World Semiconductor Trade Statistics Historic Billings Blue Book). However, this is not always such a reliable guide to activity in the legacy subsector – Ichor recorded its best year of sales amid a general market contraction in 2015.

In our opinion, Company performance in 2017 continued to be affected by a consolidation within the industry following fairly aggressive expansion focused on the 200mm sector in 2014-15. This has been driven by the potential demand for modest processing power in devices not traditionally associated with computing or network connectivity – the "internet of things". Manufacturers have reviewed their capacities to deliver on this potential, and invested accordingly in recent years. As such, 2016 and 2017 have represented a hiatus as businesses await more tangible demand data.

The relatively subdued business performance in 2017 has emphasised the need for Ichor to break into new markets and deal with new customers via the direct sales route. With the appointment of a new Europe-based Sales Director in 2017, focus has been renewed on the European and Asian markets. Later in 2017 new sales targeting and client relationship management software was brought into use in pursuing new business, and so far in 2018 7 direct tools have been delivered (2017: 4). We anticipate overall higher revenues in 2018 based on known commitments, activities in the year to date, and recent levels of enquiries.

With the general spike in growth in the semiconductor industry seen in 2017, parts supply became a common issue as Ichor shares suppliers with providers of newer semiconductor technology. Innovative solutions were deployed in sourcing and remanufacturing obsolete parts in order to protect customer lead times, including improving internal Ichor Group communications and introducing sophisticated component-level analysis of existing inventory.

Ichor Systems Ltd has built its business on an exceptional commitment to client service, and remains responsive to client requirements across the world. In 2017, the core field service teams based in Europe and the United States continued to provide international on-site repair and maintenance works.

Ichor continues to develop obsolescence solutions to client specifications, and has dedicated resource to deliver these.

Future Developments

In 2018 Ichor continues to seek opportunities to expand its business proposition to make best use of its in-house expertise in engineering and client service. Most recently Ichor is preparing to undertake licensed refurbishment work on a new tool family on behalf of a major client, which will be the second in two years. This represents a significant endorsement of Ichor's skills in adapting to new requirements.

At the same time, Ichor is enhancing its procurement function with an additional head in the team. This will help serve existing direct sales, for which parts availability is an ongoing challenge. Procurement is a strategic priority for Ichor in the longer term, as the legacy semiconductor equipment industry moves towards self-sourcing of components for assigned refurb and new build works.

Risks and uncertainties

Ichor Systems Ltd is exposed to the general economic climate, particularly with regard to conditions for capital investment. As with similar businesses, forecasting is often difficult.

Ichor also has sensitivity to the USD/GBP exchange rate given most sales and material purchases are in USD while UK payroll and overheads are incurred in GBP. Forward purchasing of currency with regard to current rates and future needs are undertaken to mitigate the risks.

On behalf of the board

John Alexander Spence
Director
28 September 2018

ICHOR SYSTEMS LTD

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2017

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

Principal activities
The company is principally engaged in the sale, refurbishment and maintenance of semiconductor manufacturing tools used in the production of silicon chips.

Financial Performance
2017 represented a year of continued challenge for Ichor. Total revenue for the year increased slightly by 11.9% to £6.9M (2016: £6.1M) as the business focused on its core activities following the end of major project works in Israel and Ireland in 2016. Gross margins saw a fall due to a two non-recurring factors: lower than anticipated margins on refurb works on a new tool family while expertise was developed, and a long-running installation of two tools sold to a European customer. Foreign exchange rates also affected the results, as the value of USD revenues reduced in GBP terms over the year. Gross margins were recorded at 56.7% (2016: 63.4%).

Administrative expenses were reduced by £0.3M, explained largely by lower staff costs in the United States as service headcount there reduced steadily over the year due to natural wastage.

For the year Ichor therefore made a profit before tax of £70k compared with £235k in the prior year.

Stock holdings increased during the year as work-in-progress levels have aligned with higher levels of direct tool sales within the revenue mix.

Dividends
The trading results for the year and the company's financial position at the end of the year are shown in the attached financial statements.

The directors do not recommend a dividend for the year (2016: £nil).

Directors
The directors who held office during the year and up to the date of signature of the financial statements were as follows:

Maurice Eugene Carson	(Resigned 31 December 2017)
John Alexander Spence	
Thomas Michael Rohrs	
Jeffrey Andreson	(Appointed 31 December 2017)

Political donations
The company made no political or charitable contributions during the year (2016: £Nil)

Disabled persons

Disabled employees

Applications for employment by disabled persons are given full and fair consideration for all vacancies in accordance with their particular aptitudes and abilities.

In the event of employees becoming disabled, every effort is given to retrain them in order that their employment with the company may continue.

It is the policy of the company that training, career development and promotion opportunities should be available to all employees.

Employee involvement
The company has a policy of keeping employees informed of matters affecting them as employees and provides periodic updates on the financial and economic factors affecting the performance of the company.

Post reporting date events
In July 2018, an amendment to an existing license agreement facilitating the sale of proprietary single chamber etch equipment led to a reassessment of existing accruals held for royalty payments. This has resulted in an adjustment to the accruals, which will be reflected in the 2018 financial statements.

Auditor
Wylie & Bisset LLP have indicated their willingness to continues as auditors, and in accordance with the Companies Act 2006 as a resolution proposing the reappointment of Wylie & Bisset LLP auditor has been approved by the Board.

Statement of directors' responsibilities
The directors are responsible for preparing the Director's Report, Strategic 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 UK Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and 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 an estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of disclosure to auditor
The officers who held office at the date of approval of this directors' reports confirm that so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken the steps he ought to have take as director to make himself aware of all relevant audit information and to establish that the company's auditor is aware of that information.

On behalf of the board

John Alexander Spence
Director
28 September 2018

ICHOR SYSTEMS LTD

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF ICHOR SYSTEMS LTD

Opinion

We have audited the financial statements of Ichor Systems Ltd (the 'company') for the year ended 31 December 2017 which comprise the profit and loss account, the balance sheet, the statement of changes in equity, the statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. 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.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception
In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and the directors' report.

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.

Responsibilities of directors
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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Ross McLauchlan BAcc CA (Senior Statutory Auditor)
for and on behalf of Wylie & Bisset LLP

28/9/18

Chartered Accountants
Statutory Auditor

168 Bath Street
Glasgow
G2 4TP

ICHOR SYSTEMS LTD

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	2017 £	2016 £
Revenue	3	6,864,339	6,133,693
Cost of sales		(2,973,845)	(2,244,614)
Gross profit		3,890,494	3,889,079
Other operating income		5,510	8,942
Administrative expenses		(3,802,857)	(3,592,828)
Operating profit	4	93,147	305,193
Finance costs	8	-	(5,811)
Other gains and losses		-	(146,814)
Profit before taxation		93,147	152,568
Income tax expense	9	(23,628)	(93,164)
Profit for the year		69,519	59,404
Discontinued operations	10		
Israel		-	175,462
Profit for the year	17	69,519	234,866

The profit and loss account has been prepared on the basis that all operations are continuing operations.

ICHOR SYSTEMS LTD

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

	Notes	2017 £	2016 £
Non-current assets			
Property, plant and equipment	11	312,353	387,000
Current assets			
Inventories	12	1,441,520	1,003,893
Trade and other receivables	13	3,650,670	2,389,697
Cash and cash equivalents		228,828	577,124
		5,321,018	3,970,714
Total assets		5,633,371	4,357,714
Current liabilities			
Trade and other payables	14	2,603,899	1,321,400
Current tax liabilities		26,592	102,952
		2,630,491	1,424,352
Net current assets		2,690,527	2,546,362
Total liabilities		2,630,491	1,424,352
Net assets		3,002,880	2,933,362
Equity			
Called up share capital	16	100	100
Retained earnings	17	3,002,780	2,933,262
Total equity		3,002,880	2,933,362

The financial statements were approved by the Board of directors and authorised for issue on 28 September 2018

Signed on its behalf by:

John Alexander Spence
Director

Company Registration No. SC244681

ICHOR SYSTEMS LTD

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2017

	Share capital £	Retained earnings £	Total £
Balance at 1 January 2016	100	2,698,396	2,698,496
Profit and total comprehensive income for the year	-	234,866	234,866
Balance at 31 December 2016	100	2,933,262	2,933,362
Profit and total comprehensive income for the year	-	69,518	69,518
Balance at 31 December 2017	100	3,002,780	3,002,880

ICHOR SYSTEMS LTD

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	2017 £	2017 £	2016 £	2016 £
Cash flows from operating activities					
Cash (absorbed by)/generated from operations	23		(132,399)		281,421
Interest paid			-		(5,811)
Tax paid			(99,987)		(240,468)
Net cash (outflow)/inflow from operating activities			(232,386)		35,142
Investing activities					
Purchase of tangible fixed assets		(118,721)		(9,485)	
Proceeds on disposal of tangible fixed assets		2,811		-	
Interest received		-		171	
Net cash used in investing activities			(115,910)		(9,314)
Financing activities					
Repayment of borrowings		-		(3,809)	
Net cash used in financing activities			-		(3,809)
Net (decrease)/increase in cash and cash equivalents			(348,296)		22,019
Cash and cash equivalents at beginning of year			577,124		555,105
Cash and cash equivalents at end of year			228,828		577,124

ICHOR SYSTEMS LTD

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

1 Accounting policies

Company information

Ichor Systems Ltd is a private company limited by shares incorporated and domiciled in Scotland. The registered office is 1 Livingstone Boulevard, Hamilton International Technology Park, Blantyre, Scotland, G72 0BP.

1.1 Accounting convention

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted for use in the European Union and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS, (except for the revaluation of assets and liabilities denoted in foreign currency).

The company' financial statement are presented in sterling and all values are rounded to the nearest pound.

The financial statements have been prepared on the historical cost basis. The principal accounting policies adopted are set out below.

1.2 Going concern

The directors have at the time of approving the financial statements, a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

1.3 *Turnover*

Turnover is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

When cash inflows are deferred and represent a financing arrangement, the fair value of the consideration is the present value of the future receipts. The difference between the fair value of the consideration and the nominal amount received is recognised as interest income.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer (usually on dispatch of the goods), the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Where contractual post-dispatch acceptance criteria attach to a proportion of the sales value, this proportion is deferred until such time as the acceptance criteria have been met.

Revenue from contracts for the provision of professional services is recognised by reference to the stage of completion when the stage of completion, costs incurred and costs to complete can be estimated reliably. The stage of completion is calculated by comparing costs incurred, mainly in relation to contractual hourly staff rates and materials, as a proportion of total costs. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

1 Accounting policies **(Continued)**

1.4 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Leasehold improvement	20% Straight Line
Plant and machinery	33% Straight Line
Computer equipment	*20% Straight Line*
Motor vehicles	33% Straight Line

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in the profit and loss account.

1.5 Impairment of tangible and intangible assets

At each reporting end date, the company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.6 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

Stocks held for distribution at no or nominal consideration are measured at the lower of replacement cost and cost, adjusted where applicable for any loss of service potential.

Net realisable value is the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

1 Accounting policies **(Continued)**

1.7 Fair value measurement

IFRS 13 establishes a single source of guidance for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The resulting calculations under IFRS 13 affected the principles that the Company uses to assess the fair value, but the assessment of fair value under IFRS 13 has not materially changed the fair values recognised or disclosed. IFRS 13 mainly impacts the disclosures of the Company. It requires specific disclosures about fair value measurements and disclosures of fair values, some of which replace existing disclosure requirements in other standards.

1.8 Cash at bank and in hand

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.9 Financial assets

Financial assets are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets are classified into specified categories. The classification depends on the nature and purpose of the financial assets and is determined at the time of recognition.

Financial assets are initially measured at fair value plus transaction costs, other than those classified as fair value through profit and loss, which are measured at fair value.

Loans and receivables

Trade debtors, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument to the net carrying amount on initial recognition.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership to another entity.

1.10 Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

1 Accounting policies **(Continued)**

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability to the net carrying amount on initial recognition.

Derecognition of financial liabilities

Financial liabilities are derecognised when, and only when, the company's obligations are discharged, cancelled, or they expire.

1.11 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

1.12 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1 Accounting policies **(Continued)**

1.13 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of inventories or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.14 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

1.15 Grants

Government grants are recognised when there is reasonable assurance that the grant conditions will be met and the grants will be received.

1.16 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation are included in the profit and loss account for the period.

2 Critical accounting estimates and judgements

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

3 Turnover

An analysis of the company's turnover is as follows:

	2017	2016
	£	£
Turnover analysed by class of business		
UK	571,748	182,500
European Union	2,530,870	2,751,116
Rest of the World	3,761,721	3,390,029
	6,864,339	6,323,645

3 Turnover (Continued)

	2017	2016
	£	£
Other significant revenue		
Interest income	-	171
Grants received	5,510	8,942

4 Operating profit

	2017	2016
	£	£
Operating profit for the year is stated after charging/(crediting):		
Net foreign exchange losses/(gains)	88,649	(165,361)
Government grants	(5,510)	(8,942)
Fees payable to the company's auditor for the audit of the company's financial statements	9,500	9,500
Depreciation of property, plant and equipment	192,316	171,984
Profit on disposal of property, plant and equipment	(1,760)	-

5 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

	2017	2016
	Number	Number
Direct	21	25
Indirect	23	19
	44	44

Their aggregate remuneration comprised:

	2017	2016
	£	£
Wages and salaries	2,161,025	2,500,298
Social security costs	238,150	174,138
Pension costs	150,240	180,226
	2,549,415	2,854,662

6 Directors' remuneration

	2017	2016
	£	£
Remuneration for qualifying services	162,819	129,454

7 Investment income

	2017	2016
	£	£
Interest income		
Other interest income	-	171
Discontinued operations	-	(171)
	-	-

8 Finance costs

	2017	2016
	£	£
Interest on bank overdrafts and loans	-	2,847
Other interest payable	-	2,964
Total interest expense	-	5,811

9 Income tax expense

	2017	2016
	£	£
Current tax		
UK corporation tax on profits for the current period	23,628	100,354
Adjustments in respect of prior periods	-	(7,190)
Total UK current tax	23,628	93,164

9 Income tax expense **(Continued)**

The charge for the year can be reconciled to the profit per the profit and loss account as follows:

	2017 £	2016 £
Profit before taxation	93,147	328,030
Expected tax charge based on a corporation tax rate of 19.25%	17,931	65,606
Effect of expenses not deductible in determining taxable profit	378	5,673
Income not taxable	(572)	(34)
Group relief	(5,881)	-
Permanent capital allowances in excess of depreciation	14,166	30,919
Under/(over) provided in prior years	-	(11,247)
Capital items expensed	-	2,247
Previous year tax correction	(2,394)	-
Taxation charge for the year	23,628	93,164

10 Discontinued operations

The results of the discontinued business, which have been included in the income statement were as follows:

	2017 £	2016 £
Revenue	-	189,952
Operating expenses	-	(161,475)
Investment revenues	-	171
Other gains and losses	-	146,814
(Loss)/profit before taxation	-	175,462
Net (loss)/profit attributable to discontinuation	-	175,462

11 Tangible fixed assets

	Leasehold improvement	Plant and machinery	Computer equipment	Motor vehicles	Total
	£	£	£	£	£
Cost					
At 1 January 2016	594,385	146,542	211,450	-	952,377
Additions	6,380	1,499	-	1,606	9,485
At 31 December 2016	600,765	148,041	211,450	1,606	961,862
Additions	-	93,151	25,570	-	118,721
Disposals	-	(18,590)	(83,869)	(1,606)	(104,065)
At 31 December 2017	600,765	222,602	153,151	-	976,518
Accumulated depreciation and impairment					
At 1 January 2016	159,865	99,413	143,600	-	402,878
Charge for the year	112,180	21,287	38,206	311	171,984
At 31 December 2016	272,045	120,700	181,806	311	574,862
Charge for the year	117,246	44,935	29,891	244	192,316
Eliminated on disposal	-	(18,590)	(83,869)	(555)	(103,014)
At 31 December 2017	389,291	147,045	127,829	-	664,165
Carrying amount					
At 31 December 2017	211,474	75,557	25,322	-	312,353
At 31 December 2016	328,720	27,341	29,644	1,295	387,000
At 31 December 2015	434,520	47,129	67,849	-	549,498

12 Stocks

	2017	2016
	£	£
Goods for re-sale	1,441,520	1,003,893

13 Debtors

	Due within one year	
	2017	2016
	£	£
Trade debtors	2,275,160	931,328
Other receivables	102,302	114,845
VAT recoverable	160,896	140,578
Amounts due from fellow group undertakings	1,005,770	1,121,068
Prepayments	106,542	81,878
	3,650,670	2,389,697

Trade debtors disclosed above are classified as loans and receivables and are therefore measured at amortised cost.

14 Creditors

	Due within one year	
	2017	2016
	£	£
Trade creditors	612,101	242,234
Accruals	996,886	420,724
Social security and other taxation	64,403	296,366
Other creditors	930,509	362,076
	2,603,899	1,321,400

15 Retirement benefit schemes

Defined contribution schemes

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

The total costs charged to income in respect of defined contribution plans is £125,828 (2016 - £115,324).

16 Share capital

	2017	2016
	£	£
Ordinary share capital		
Authorised		
1,000 Ordinary shares of £1 each	1,000	1,000
Issued and fully paid		
100 Ordinary shares of £1 each	100	100
	100	100

17 Profit and loss reserves

	2017	2016
	£	£
At the beginning of the year	2,933,261	2,698,396
Profit for the year	69,519	234,866
At the end of the year	3,002,780	2,933,262

18 Capital commitments

	2017	2016
	£	£
At 31 December 2017 the company had capital commitments as follows:		
Contracted for but not provided in the financial statements:		
Acquisition of tangible fixed assets	-	9,000

19 Operating lease commitments

The company had commitments under non-cancellable operating leases as follows:

	2017	2016
	£	£
Within one year	147,140	147,140
Between two and five years	440,221	587,361
In over five years	-	193,958
	587,361	928,459

20 Related party transactions

Other transactions with related parties
During the year the company entered into the following transactions with related parties:

	Sale of goods		Purchase of goods	
	2017	2016	2017	2016
	£	£	£	£
Parent company	3,923	-	-	-
Other related parties	65,518	366	783,223	149,246
	69,441	366	783,223	149,246

20 Related party transactions **(Continued)**

The following amounts were outstanding at the reporting end date:

	Amounts owed to related parties	
	2017	**2016**
	£	**£**
Other related parties	805,840	651,261
	805,840	651,261

20 Related party transactions (Continued)

The following amounts were outstanding at the reporting end date:

	Amounts owed by related parties		Amounts owed by related parties	
	2017		2016	
	Balance	Net	Balance	Net
	£	£	£	£
Parent company	997,214	997,214	1,082,874	1,082,874
Other related parties	3,923	3,923	26,879	26,879
	1,001,137	1,001,137	1,109,753	1,109,753

21 Approval of the Financial Statements

These accounts were approved for issue by the Board on 28 September 2018.

22 Ultimate controlling party

The company's immediate parent undertaking is Ichor Holdings Ltd, a company registered in Scotland. There is no single ultimate parent undertaking and the directors are of the opinion there is no single controlling party.

23 Cash generated from operations

	2017 £	2016 £
Profit for the year after tax	69,519	234,866
Adjustments for:		
Taxation charged	23,628	93,164
Finance costs	-	5,811
Investment income	-	(171)
Gain on disposal of tangible fixed assets	(1,760)	-
Depreciation and impairment of tangible fixed assets	192,316	171,984
Movements in working capital:		
Increase in stocks	(437,627)	(182,819)
(Increase)/decrease in debtors	(1,260,973)	71,440
Increase/(decrease) in creditors	1,282,498	(112,853)
Cash (absorbed by)/generated from operations	(132,399)	281,422