Company Registration No. 08832105 (England and Wales)

MECH-TOOL HOLDINGS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2017

MECH-TOOL HOLDINGS LIMITED

COMPANY INFORMATION

Directors	V Garner M Garner
Company number	08832105
Registered office	Mech Tool House Whessoe Road Darlington Durham DL3 0QT
Auditor	Haines Watts Sterling House 22 St Cuthberts Way Darlington Co Durham

MECH-TOOL HOLDINGS LIMITED

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MECH-TOOL HOLDINGS LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 30 SEPTEMBER 2017

The directors present the strategic report for the year ended 30 September 2017.

Fair review of the business

In the six months to 30th September 2017 Mech-Tool Engineering and Mech-Tool Korea achieved sales of £22.83m. Of this turnover all but £0.3m was on export related work. Mech-Tool Korea enjoyed a strong trading performance achieving an operating profit margin of 16.5% on sales of £3.01m. The results are influenced by final account settlements on a number of projects. With all activity having been completed on the likes of Johan Sverdrup, Mariner and Hebron and the Korean yards not having much topside oil and gas related project work to undertake in 2018, Mech-Tool Korea will encounter a difficult trading period until the anticipated upturn in offshore capital spending which is expected to gather momentum in 2019.

The overall company profit before tax of £2.14m reflects the extent of the turnaround which has been achieved after the very disappointing losses returned on four Kazakh projects in the year to 31st March 2017.

Mech-Tool Engineering has a significant pipeline of work which will ensure that the company trades profitably in the 12 month financial year to 30th September 2018.

At 30th September 2017 Cash at bank was £2.82m. As can be seen by examining Notes 16 and 17 Mech-Tool has successfully traded through this six month period when Payments on Account declined by £5.77m whilst Amounts Recoverable increased by a further £1.04m. This was achieved without any support from Handelsbanken, the company's bank. The position was exacerbated by slow payment receipts from the cash strapped Korean yards. With the achievement of various invoicing milestones on high value project work, Amounts Recoverable will decline over the first calendar quarter of 2018, resulting in a strengthening of the Cash at bank position.

The company moved most of its fabrication of firewalls, blastwalls and heatshields to Korea because it could not provide a competitive offering to the south-east Asian yards from the UK. For the same reasons, it is now thought that Mech-Tool will not be awarded in the future relatively large contracts for full turnkey modular equipment housing. Business development priorities have been changed. The north-east of the UK is recognised as the hub for fabrication and fit-out work for the offshore renewables sector. This sector is forecast to be extremely buoyant over the next fifteen years or so. Mech-Tool already has a proven track record in the supply of both wall cladding and modular buildings on offshore wind farm projects. The company will be looking for future project work of this type and in addition for packages of steel fabrication work for its local strategic partners on wind farm developments. A first order for fabrication only work of this type was secured in January 2018. Mech-Tool will complete over £50m of high integrity modular work involving the installation of HVAC and electrical and instrumentation packages into large steel buildings. Competences across the different disciplines and operational procedures have had to be enhanced significantly to cope with the challenges. Some of the improvements are still on-going in areas like 3-D modelling and management information software. The business development aim will be to use the expertise acquired through the execution of all this modular building work by focusing sales effort on UK rather than on overseas projects. Whilst offshore renewables will be an important sector, greater emphasis will now be placed on securing work from UK nuclear, refinery and petrochemical markets.

Principal risks and uncertainties

The company maintains a Business Risks and Opportunities Register and an Internal and External Issues Register. The policies on Reputational, Financial, Health and Safety and Environmental risks were last formally reviewed by the executive team in July and August 2014. The programmes for reviews and for internal audits are determined at quarterly meetings attended by the directors and the Head of Governance.

Key performance indicators

The company uses a number of KPI's to monitor the likes of financial operating performance and liquidity, the value and conversion rates on enquiries, customer feedback, accidents and incidents in the work place, absenteeism and staff turnover. KPI's are reviewed monthly at executive meetings.

On behalf of the board

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M Garner

Director

...............21/02/18

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 SEPTEMBER 2017

The directors present their annual report and financial statements for the year ended 30 September 2017.

Principal activities
The principal activity of the company and group continued to be that of design, engineering, and manufacture of fire and blast related products including module and enclosures along with the provision of associated project management.

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

A Lyon	(Resigned 18 April 2017)
V Garner	
M Garner	

Results and dividends
The results for the year are set out on page 8.

Ordinary dividends were paid amounting to £10,000. The directors do not recommend payment of a further dividend.

Auditor
Haines Watts were appointed as auditor to the group and in accordance with section 485 of the Companies Act 2006, a resolution proposing that they be re-appointed will be put at a General Meeting.

Statement of directors' responsibilities
The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 group and company, and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and 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 group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of disclosure to auditor
So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the auditor of the company is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the auditor of the company is aware of that information.

On behalf of the board

....

M Garner

Director

Date: ...21/02/18...

MECH-TOOL HOLDINGS LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF MECH-TOOL HOLDINGS LIMITED

Opinion

We have audited the financial statements of Mech-Tool Holdings Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 30 September 2017 which comprise the Group Statement of Comprehensive Income, the Group Balance Sheet, the Company Balance Sheet, the Group Statement of Changes in Equity, the Company Statement of Changes in Equity, the Group 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 United Kingdom Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 30 September 2017 and of its for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 group's or the parent 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 other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. 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.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF MECH-TOOL HOLDINGS LIMITED

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 group and the parent 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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

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 group's and the parent 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 group or the parent 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.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)
TO THE MEMBERS OF MECH-TOOL HOLDINGS LIMITED

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.

S. Easton

Stephen Easton FCA (Senior Statutory Auditor)
for and on behalf of Haines Watts

22/2/18

Chartered Accountants and
Statutory Auditor

Sterling House
22 St Cuthberts Way
Darlington
Co Durham

MECH-TOOL HOLDINGS LIMITED

GROUP STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 SEPTEMBER 2017

	Notes	30 September 2017 £	31 March 2017 £
Turnover	3	22,833,873	27,119,690
Cost of sales		(18,102,039)	(26,707,447)
Gross profit		4,731,834	412,243
Administrative expenses		(2,587,432)	(3,772,401)
Loss on foreign currency derivative contracts	4	-	(2,476,614)
Other items relating to foreign currency transactions	4	22,816	508,253
Operating profit/(loss)	5	2,167,218	(5,328,519)
Interest receivable and similar income	9	861	2,470
Profit/(loss) before taxation		2,168,079	(5,326,049)
Tax on profit/(loss)	10	(31,746)	1,553,775
Profit/(loss) for the financial year		2,136,333	(3,772,274)

Profit/(loss) for the financial year is all attributable to the owners of the parent company.

Total comprehensive income for the year is all attributable to the owners of the parent company.

MECH-TOOL HOLDINGS LIMITED

GROUP BALANCE SHEET

AS AT 30 SEPTEMBER 2017

	Notes	30 September 2017 £	£	31 March 2017 £	£
Fixed assets					
Tangible assets	11		1,946,854		2,192,236
Current assets					
Stocks	15	882,386		1,665,522	
Debtors	16	14,172,178		14,744,750	
Cash at bank and in hand		2,822,014		2,977,412	
		17,876,578		19,387,684	
Creditors: amounts falling due within one year	17	(11,048,830)		(15,124,227)	
Net current assets			6,827,748		4,263,457
Total assets less current liabilities			8,774,602		6,455,693
Creditors: amounts falling due after more than one year	18		(898)		(2,167)
Net assets			8,773,704		6,453,526
Capital and reserves					
Called up share capital	22		50,502		50,502
Other reserves			131,283		(62,562)
Profit and loss reserves			8,591,919		6,465,586
Total equity			8,773,704		6,453,526

The financial statements were approved by the board of directors and authorised for issue on 21/02/18 and are signed on its behalf by:

....
M Garner
Director

MECH-TOOL HOLDINGS LIMITED

COMPANY BALANCE SHEET

AS AT 30 SEPTEMBER 2017

	Notes	30 September 2017 £	£	31 March 2017 £	£
Fixed assets					
Investments	**12**		51,000		51,000
Current assets					
Debtors	**16**	130,502		130,502	
Creditors: amounts falling due within one year	**17**	(131,000)		(131,000)	
Net current liabilities			(498)		(498)
Total assets less current liabilities			50,502		50,502
Capital and reserves					
Called up share capital	**22**		50,502		50,502

As permitted by s408 Companies Act 2006, the company has not presented its own profit and loss account and related notes. The company's profit for the year was £0 (31 March 2017 - £0 profit).

The financial statements were approved by the board of directors and authorised for issue on 21/02/18 and are signed on its behalf by:

M Garner
Director

Company Registration No. 08832105

MECH-TOOL HOLDINGS LIMITED

GROUP STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 SEPTEMBER 2017

	Notes	Share capital	Other reserves	Profit and loss reserves	Total
		£	£	£	£
Balance at 1 April 2016		50,502	(84,657)	10,237,860	10,203,705
Period ended 31 March 2017:					
Loss and total comprehensive income for the period		-	-	(3,772,274)	(3,772,274)
Transfers		-	22,095	-	22,095
Balance at 31 March 2017		50,502	(62,562)	6,465,586	6,453,526
Year ended 30 September 2017:					
Profit and total comprehensive income for the year		-	-	2,136,333	2,136,333
Dividends		-	-	(10,000)	(10,000)
Transfers		-	193,845	-	193,845
Balance at 30 September 2017		50,502	131,283	8,591,919	8,773,704

MECH-TOOL HOLDINGS LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 SEPTEMBER 2017

	Share capital £
Balance at 1 April 2016	50,502
Period ended 31 March 2017:	
Profit and total comprehensive income for the period	-
Balance at 31 March 2017	50,502
Year ended 30 September 2017:	
Profit and total comprehensive income for the year	-
Balance at 30 September 2017	50,502

MECH-TOOL HOLDINGS LIMITED

GROUP STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 SEPTEMBER 2017

	Notes	30 September 2017 £	£	31 March 2017 £	£
Cash flows from operating activities					
Cash absorbed by operations	25		(69,452)		(364,408)
Income taxes paid			(49,712)		(278,665)
Net cash outflow from operating activities			(119,164)		(643,073)
Investing activities					
Purchase of tangible fixed assets		(27,118)		(561,118)	
Proceeds on disposal of tangible fixed assets		1,500		-	
Interest received		861		2,470	
Net cash used in investing activities			(24,757)		(558,648)
Financing activities					
Payment of finance leases obligations		(1,477)		666	
Dividends paid to equity shareholders		(10,000)		-	
Net cash (used in)/generated from financing activities			(11,477)		666
Net decrease in cash and cash equivalents			(155,398)		(1,201,055)
Cash and cash equivalents at beginning of year			2,977,412		4,178,467
Cash and cash equivalents at end of year			2,822,014		2,977,412

1 Accounting policies

Company information

Mech-Tool Holdings Limited ("the company") is a private limited company domiciled and incorporated in England and Wales. The registered office is Mech Tool House, Whessoe Road, Darlington, Durham, DL3 0QT.

The group consists of Mech-Tool Holdings Limited and all of its subsidiaries.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of freehold properties and to include investment properties and certain financial instruments at fair value. The principal accounting policies adopted are set out below.

The company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements for parent company information presented within the consolidated financial statements:

- Section 4 'Statement of Financial Position' – Reconciliation of the opening and closing number of shares;
- Section 7 'Statement of Cash Flows' – Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues' – Carrying amounts, interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income;
- Section 26 'Share based Payment' – Share-based payment expense charged to profit or loss, reconciliation of opening and closing number and weighted average exercise price of share options, how the fair value of options granted was measured, measurement and carrying amount of liabilities for cash-settled share-based payments, explanation of modifications to arrangements;
- Section 33 'Related Party Disclosures' – Compensation for key management personnel.

1.2 Basis of consolidation

In the parent company financial statements, the cost of a business combination is the fair value at the acquisition date of the assets given, equity instruments issued and liabilities incurred or assumed, plus costs directly attributable to the business combination. The excess of the cost of a business combination over the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recognised as goodwill. The cost of the combination includes the estimated amount of contingent consideration that is probable and can be measured reliably, and is adjusted for changes in contingent consideration after the acquisition date. Provisional fair values recognised for business combinations in previous periods are adjusted retrospectively for final fair values determined in the 12 months following the acquisition date. Investments in subsidiaries, joint ventures and associates are accounted for at cost less impairment.

1 Accounting policies **(Continued)**

The consolidated financial statements incorporate those of Mech-Tool Holdings Limited and all of its subsidiaries (ie entities that the group controls through its power to govern the financial and operating policies so as to obtain economic benefits). Subsidiaries acquired during the year are consolidated using the purchase method. Their results are incorporated from the date that control passes.

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

1.3 Going concern

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

1.4 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.

Sale of goods

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).

Sale of services

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting end date. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

When it is probable that total contract costs will exceed total contract turnover, the expected loss is recognised as an expense immediately.

Where the outcome of a construction contract cannot be estimated reliably, contract costs are recognised as expenses in the period in which they are incurred and contract revenue is recognised to the extent of contract costs incurred where it is probable that they will be recoverable.

The "percentage of completion method" is used to determine the appropriate amount to recognise in a given period. The stage of completion is measured by the proportion of contract costs incurred for work performed to date compared to the estimated total contract costs. Costs incurred in the year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion. These costs are presented as stocks, prepayments or other assets depending on their nature, and provided it is probable they will be recovered.

Bank interest accruing on capital borrowed to fund the production of long term contracts is carried forward within long term contract balances.

1.5 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.

1 Accounting policies **(Continued)**

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 land and buildings	10% on cost and 5% on cost
Plant and machinery	10% - 33% on cost
Fixtures and fittings	10% - 20% on cost
Computer equipment	33% on cost
Motor vehicles	10% - 20% on cost

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.

1.6 Fixed asset investments

Equity investments are measured at fair value through profit or loss, except for those equity investments that are not publicly traded and whose fair value cannot otherwise be measured reliably, which are recognised at cost less impairment until a reliable measure of fair value becomes available.

In the parent company financial statements, investments in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses.

A subsidiary is an entity controlled by the group. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

Entities in which the group has a long term interest and shares control under a contractual arrangement are classified as jointly controlled entities.

1.7 Impairment of fixed assets

At each reporting period end date, the group reviews the carrying amounts of its tangible and intangible 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.

If an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

1.8 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.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

1 Accounting policies **(Continued)**

1.9 Cash at bank and in hand

Cash at bank and in hand are basic financial assets and 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.

1.10 Financial instruments

The group has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

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

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, 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 have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the group transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

1 Accounting policies **(Continued)**

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Other financial liabilities

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss.

Derecognition of financial liabilities

Financial liabilities are derecognised when the group's contractual obligations expire or are discharged or cancelled.

1.11 Equity instruments

Equity instruments issued by the group 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 group.

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 group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date. Current tax assets and liabilities are offset to settle on a net basis or to realise the asset and settle the liability simultaneously.

1 Accounting policies **(Continued)**

Deferred tax

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements.

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing 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 if, and only if, there is 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.

1.13 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 stock 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 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets at the lower of the assets fair value at the date of inception and the present value of the minimum lease payments. The related liability is included in the balance sheet as a finance lease obligation. Lease payments are treated as consisting of capital and interest elements. The interest is charged to the profit and loss account so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Rentals payable under operating leases, including any lease incentives received, are charged to income on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

2 Judgements and key sources of estimation uncertainty

In the application of the group'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 where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Critical judgements

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Amounts recoverable on contracts

The amount included in debtors for amounts recoverable on contracts is based on an estimate of the value of work done but not invoiced as at the balance sheet date less an estimate by management of the costs that will not be recoverable on completion of the contract. This provision is based on an estimate of the profitability of the contract as a whole upon future completion.

3 Turnover and other revenue

	30 September 2017	31 March 2017
	£	£
Other significant revenue		
Interest income	861	2,470

	30 September 2017	31 March 2017
	£	£
Turnover analysed by geographical market		
United Kingdom	290,610	5,775,168
Overseas	22,543,263	21,344,522
	22,833,873	27,119,690

4 Exceptional costs/(income)

	30 September 2017	31 March 2017
	£	£
Premium paid on buy out of foreign currency contracts	-	2,476,614
Change in fair value of hedging liabilities - (credit)/charge	(301,051)	(820,984)
Revaluation of foreign currency monetary items to spot rates - charge/ (credit)	278,235	312,731
	(22,816)	1,968,361

The loss on foreign currency derivative contracts of £2,476,614 in the year ended 31 March 2017 related to contracts which were closed out during the year.
The change in fair value of hedging liabilities of £301,051 (31 March 2017 : £820,984) relate to forward foreign exchange contracts. The fair value of these derivative financial instruments at 30 September 2017, 31 March 2017 and 31 March 2016 were £nil, £301,051 and £1,122,035 respectively resulting in the change in fair values noted previously.
Revaluation of foreign currency monetary items to spot rates include £270,818 charge (31 March 2017 : £256,451 charge) in respect of amounts recoverable on US dollar denominated contracts.

5 Operating profit/(loss)

	30 September 2017	31 March 2017
	£	£
Operating profit/(loss) for the year is stated after charging/(crediting):		
Depreciation of owned tangible fixed assets	271,295	550,753
Profit on disposal of tangible fixed assets	(293)	-
Cost of stocks recognised as an expense	11,650,939	14,534,497
Operating lease charges	216,160	261,416

6 Auditor's remuneration

	30 September 2017	31 March 2017
Fees payable to the company's auditor and associates:	£	£
For audit services		
Audit of the financial statements of the group and company	-	-
Audit of the financial statements of the company's subsidiaries	9,500	9,500

7 Employees

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

	Group		Company	
	30 September 2017	31 March 2017	30 September 2017	31 March 2017
	Number	Number	Number	Number
Production and engineering	199	214	-	-
Administration and sales	27	26	-	-
	226	240	-	-

Their aggregate remuneration comprised:

	Group		Company	
	30 September 2017	31 March 2017	30 September 2017	31 March 2017
	£	£	£	£
Wages and salaries	7,338,138	12,796,794	-	-
Social security costs	413,876	946,872	-	-
Pension costs	160,098	347,409	-	-
	7,912,112	14,091,075	-	-

8 Directors' remuneration

	30 September 2017	31 March 2017
	£	£
Remuneration for qualifying services	13,707	139,445
Company pension contributions to defined contribution schemes	601	12,625
	14,308	152,070

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 1 (2017: 1).

9 Interest receivable and similar income

	30 September 2017	31 March 2017
	£	£
Interest income		
Interest on bank deposits	861	2,470

9 Interest receivable and similar income **(Continued)**

Investment income includes the following:

Interest on financial assets not measured at fair value through profit or loss	861	2,470

10 Taxation

	30 September 2017	31 March 2017
	£	£
Current tax		
UK corporation tax on profits for the current period	-	(447,982)
Adjustments in respect of prior periods	-	(370,558)
Total current tax	-	(818,540)
Deferred tax		
Origination and reversal of timing differences	31,746	(735,235)
Total tax charge/(credit) for the year	31,746	(1,553,775)

The actual charge for the year can be reconciled to the expected charge based on the profit or loss and the standard rate of tax as follows:

	30 September 2017	31 March 2017
	£	£
Profit/(loss) before taxation	2,168,079	(5,326,049)
Expected tax charge/(credit) based on the standard rate of corporation tax in the UK of 20.00% (31 March 2017: 20.00%)	433,616	(1,065,210)
Tax effect of expenses that are not deductible in determining taxable profit	-	1,200
Unutilised tax losses carried forward	(118,470)	27,793
Adjustments in respect of prior years	-	(370,558)
Research and development tax credit	(283,400)	(147,000)
Taxation charge/(credit) for the year	31,746	(1,553,775)

11 Tangible fixed assets

Group	Leasehold land and buildings	Plant and machinery	Fixtures and fittings	Computer equipment	Motor vehicles	Total
	£	£	£	£	£	£
Cost						
At 1 April 2017	1,388,353	2,332,756	777,213	306,607	63,621	4,868,550
Additions	920	28,025	845	9,563	-	39,353
Disposals	-	(10,030)	-	(1,027)	-	(11,057)
Exchange adjustments	(5,193)	(10,383)	(5,300)	(2,576)	(939)	(24,391)
At 30 September 2017	1,384,080	2,340,368	772,758	312,567	62,682	4,872,455
Depreciation and impairment						
At 1 April 2017	620,469	1,367,761	440,293	191,963	55,825	2,676,311
Depreciation charged in the year	69,184	124,894	42,305	33,520	1,392	271,295
Eliminated in respect of disposals	-	(9,194)	-	(656)	-	(9,850)
Exchange adjustments	(1,595)	(5,615)	(2,774)	(1,795)	(376)	(12,155)
At 30 September 2017	688,058	1,477,846	479,824	223,032	56,841	2,925,601
Carrying amount						
At 30 September 2017	696,022	862,522	292,934	89,535	5,841	1,946,854
At 31 March 2017	767,883	964,994	336,919	114,644	7,796	2,192,236

12 Fixed asset investments

		Group		Company	
		30 September 2017	31 March 2017	30 September 2017	31 March 2017
	Notes	£	£	£	£
Investments in subsidiaries	13	-	-	51,000	51,000

Movements in fixed asset investments
Company

	Shares in group undertakings
	£
Cost or valuation	
At 1 April 2017 and 30 September 2017	51,000
Carrying amount	
At 30 September 2017	51,000
At 31 March 2017	51,000

13 Subsidiaries

Details of the company's subsidiaries at 30 September 2017 are as follows:

Name of undertaking	Registered office	Nature of business	Class of shares held	% Held Direct	Indirect
Mech-Tool Engineering Limited	United Kingdom	Manufacturing fire and blast products	Ordinary	100.00	
MTE Design Limited	United Kingdom	Dormant	Ordinary	100.00	

14 Financial instruments

	Group		Company	
	30 September 2017	31 March 2017	30 September 2017	31 March 2017
	£	£	£	£
Carrying amount of financial assets				
Debt instruments measured at amortised cost	3,249,340	5,010,030	130,502	130,502
Carrying amount of financial liabilities				
Measured at fair value through profit or loss				
- Other financial liabilities	-	301,051	-	-
Measured at amortised cost	10,605,502	14,402,642	131,000	131,000

15 Stocks

	Group 30 September 2017	31 March 2017	Company 30 September 2017	31 March 2017
	£	£	£	£
Raw materials and consumables	882,386	1,665,522	-	-

16 Debtors

	Group 30 September 2017	31 March 2017	Company 30 September 2017	31 March 2017
Amounts falling due within one year:	£	£	£	£
Trade debtors	3,087,706	4,785,905	-	-
Amounts recoverable on contracts	8,523,485	7,477,845	-	-
Corporation tax recoverable	1,052,857	1,002,754	-	-
Other debtors	409,315	624,107	130,502	130,502
Prepayments and accrued income	577,569	301,147	-	-
	13,650,932	14,191,758	130,502	130,502
Deferred tax asset (note 20)	521,246	552,992	-	-
	14,172,178	14,744,750	130,502	130,502

17 Creditors: amounts falling due within one year

	Notes	Group 30 September 2017	31 March 2017	Company 30 September 2017	31 March 2017
		£	£	£	£
Obligations under finance leases	19	2,156	2,364	-	-
Payments received on account		2,703,111	8,471,416	-	-
Trade creditors		4,815,294	3,923,979	-	-
Corporation tax payable		391	-	-	-
Other taxation and social security		443,835	422,701	-	-
Derivative financial instruments		-	301,051	-	-
Other creditors		239,426	351,036	131,000	131,000
Accruals and deferred income		2,844,617	1,651,680	-	-
		11,048,830	15,124,227	131,000	131,000

18 Creditors: amounts falling due after more than one year

		Group		Company	
		30 September 2017	31 March 2017	30 September 2017	31 March 2017
	Notes	£	£	£	£
Obligations under finance leases	19	898	2,167	-	-

19 Finance lease obligations

	Group		Company	
	30 September 2017	31 March 2017	30 September 2017	31 March 2017
	£	£	£	£
Future minimum lease payments due under finance leases:				
Within one year	2,156	2,364	-	-
In two to five years	898	2,167	-	-
	3,054	4,531	-	-

20 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the group and company, and movements thereon:

	Assets	Assets
	30 September 2017	31 March 2017
Group	£	£
Accelerated capital allowances	(124,754)	(150,008)
Tax losses	646,000	703,000
	521,246	552,992

	Group	Company
	30 September 2017	30 September 2017
Movements in the year:	£	£
Liability/(asset) at 1 April 2017	(552,992)	-
Charge to profit or loss	31,746	-
Liability/(asset) at 30 September 2017	(521,246)	-

20 Deferred taxation **(Continued)**

21 Retirement benefit schemes

Defined contribution schemes	**30 September 2017 £**	**31 March 2017 £**
Charge to profit or loss in respect of defined contribution schemes	160,098	347,409

A defined contribution pension scheme is operated for all qualifying employees. The assets of the scheme are held separately from those of the group in an independently administered fund.

22 Share capital

	Group and company	
	30 September 2017	**31 March 2017**
Ordinary share capital	**£**	**£**
Issued and fully paid		
50,002 ordinary shares of £1 each	50,002	50,002
500 ordinary shares of £1 each	500	500
	50,502	50,502

23 Operating lease commitments

Lessee

At the reporting end date the group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Group		**Company**	
	30 September 2017	**31 March 2017**	**30 September 2017**	**31 March 2017**
	£	**£**	**£**	**£**
Within one year	12,637	12,828	-	-
Between two and five years	16,404	12,910	-	-
	29,041	25,738	-	-

24 Related party transactions

Remuneration of key management personnel
The remuneration of key management personnel is as follows.

	30 September 2017	31 March 2017
	£	£
Aggregate compensation	260,764	663,140

Transactions with related parties
During the year the group entered into the following transactions with related parties:

Rental payments were made to a director during the period. The amount paid during the period was £150,000 (year to 31 March 2017: £300,000)

25 Cash generated from group operations

	30 September 2017	31 March 2017
	£	£
Profit/(loss) for the year after tax	2,136,333	(3,772,274)
Adjustments for:		
Taxation charged/(credited)	31,746	(1,553,775)
Investment income	(861)	(2,470)
Gain on disposal of tangible fixed assets	(293)	-
Depreciation and impairment of tangible fixed assets	271,294	550,753
Foreign exchange gains on cash equivalents	411,783	(195,843)
Movements in working capital:		
Decrease/(increase) in stocks	783,136	(827,090)
Decrease/(increase) in debtors	438,628	(2,634,204)
(Decrease)/increase in creditors	(4,141,218)	8,070,495
Cash absorbed by operations	(69,452)	(364,408)