

Company Registration No. 08832105 (England and Wales)

MECH-TOOL HOLDINGS LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

MECH-TOOL HOLDINGS LIMITED

COMPANY INFORMATION

Directors	M Garner V 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 31 MARCH 2017

The directors present the strategic report for the year ended 31 March 2017.

Fair review of the business

During the year to 31st March 2017 the trading of Mech-Tool Engineering and Mech-Tool Korea was impacted by the lower price of oil which resulted in the cancellation or postponement of many offshore projects. Despite the weakness of its main traditional market the company still recorded its second highest turnover of £27.1m. Within this figure however, there was a marked shift in work mix away from two dimensional wall cladding and heat shield product sales, with full turnkey modular building work representing a larger proportion of total sales. The company managed poorly this significant change in work mix. The modular work involved steel fabrication and the fit-out of electrical and HVAC packages of work. The company's functional management across these disciplines proved to be inadequate, as was its project management of the changes in client specifications and final requirements. Three projects, all destined for Kazakhstan, represented combined sales of £4.45m and contributed a loss at the operating level of £2.39m. A fourth Kazakh related project had sales in the year of £1.59m with a corresponding operating loss of £0.74m. These four projects contributed significantly to an overall operating loss of £3.36m. Three of the four projects were effectively completed during the financial year. The fourth was successfully terminated after the year end and its impact is included in the audited accounts for the six month period to 30th September 2017. Despite the poor trading conditions in Korea, Mech-Tool Korea achieved a 7.5% operating profit margin on sales of £4.10m.

The company has undertaken a thorough lessons learnt review after its experiences on these four projects. This has resulted in changes to key policies, procedures and in personnel. These changes have contributed to a return to profitable trading as is shown in the audited accounts for the six month period to 30th September 2017.

At the 31st March 2017 year end, Cash at bank was £2.98m, a figure significantly lower than in prior years. The fall in Cash at bank results in part from a loss on derivative foreign exchange currency trades of £2.48m. The trades have subsequently been reviewed by an independent expert and the structures of the trades have been found to be ineffective. The company is currently considering the pursuit of appropriate courses of action.

The trades were closed out during the year which has resulted in the loss on derivative foreign exchange currency trading due to the ineffective structure of the trades. The loss has therefore been shown as a separate item in the Statement of Comprehensive Income as they are not expected to recur. The trades which commenced in March 2014 necessitated a prior year adjustment and a restatement of the results to 31st March 2016. Note 28 describes the three reasons for the prior year adjustment. All three relate to incorrect treatment in the statutory accounts of the effects of the derivative foreign exchange currency trades. An incorrect treatment in the audited accounts to 31st March 2015 is also addressed in Note 28.

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. The losses on the Kazakh related contracts have resulted in policy reviews, changes to the Quality Management System and a greater emphasis on governance particularly in relation to the tendering and execution of project work.

Future developments

The company ended the period to 31st March 2017 with a strong pipeline of future work. The financial year end has been changed to 30th September. The pipeline of work along with the changes to procedures and personnel will provide periods of profitable trading in both the six months to 30th September 2017 and over the following twelve months thereafter.

MECH-TOOL HOLDINGS LIMITED


STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2017

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



M Garner

Director

21/02/18

MECH-TOOL HOLDINGS LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2017

The directors present their annual report and financial statements for the year ended 31 March 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:

M Garner

V Garner

A Lyon

(Resigned 18 April 2017)

Results and dividends

The results for the year are set out on page 7.

No ordinary dividends were paid. 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.

MECH-TOOL HOLDINGS LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2017

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

We have audited the financial statements of Mech-Tool Holdings Limited for the Period ended 31 March 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 the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Basis of qualified opinion on financial statements

With respect to stock having a carrying amounts of £1,665,522 the audit evidence to us was limited because we did not observe the counting of the physical stock as at 31 March 2017, since that date was prior to our appointment as auditor of the company. Owing to the nature of the company's records, we were unable to obtain sufficient appropriate audit evidence regarding the stock quantities by using other audit procedures.

Qualified opinion on the financial statements

In our opinion, except for the effects of the matters described in the Basis for Qualified Opinion paragraph, the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2017 and of its loss for the Period 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; and

Opinion on other matter prescribed by the Companies Act 2006

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

MECH-TOOL HOLDINGS LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF MECH-TOOL HOLDINGS LIMITED

Matters on which we are required to report by exception

In respect solely of the limitation on our audit work relating to stock, described above:

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

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

- 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

Other matter

The financial statements for the year ended 31 March 2016, forming part of the corresponding figures of the financial statements for the year ended 31 March 2017 are unaudited.



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 31 MARCH 2017

	Notes	2017 £	2016 as restated £
Turnover	3	27,119,690	26,636,687
Cost of sales		(26,707,447)	(20,346,505)
Gross profit		412,243	6,290,182
Administrative expenses		(3,772,401)	(3,441,253)
Other operating income		-	17,406
Loss on foreign currency derivative contracts	4	(2,476,614)	-
Other items relating to foreign currency transactions	4	508,253	749,112
Operating (loss)/profit	5	(5,328,519)	3,615,447
Interest receivable and similar income	9	2,470	5,237
Interest payable and similar expenses	10	-	(1,178)
(Loss)/profit before taxation		(5,326,049)	3,619,506
Tax on (loss)/profit	11	1,553,775	(320,797)
(Loss)/profit for the financial year		(3,772,274)	3,298,709
(Loss)/profit for the financial year is attributable to:			
- Owners of the parent company		(3,772,274)	3,247,486
- Non-controlling interests		-	51,223
		(3,772,274)	3,298,709
Total comprehensive income for the year is attributable to:			
- Owners of the parent company		(3,772,274)	3,247,486
- Non-controlling interests		-	51,223
		(3,772,274)	3,298,709


MECH-TOOL HOLDINGS LIMITED

GROUP BALANCE SHEET

AS AT 31 MARCH 2017

	Notes	2017		2016 as restated	
		£	£	£	£
Fixed assets					
Tangible assets	12		2,192,236		2,181,873
Current assets					
Stocks	16	1,665,522		838,432	
Debtors	17	14,744,750		10,154,818	
Cash at bank and in hand		2,977,412		4,178,467	
		19,387,684		15,171,717	
Creditors: amounts falling due within one year	18	(15,124,227)		(6,963,777)	
Net current assets			4,263,457		8,207,940
Total assets less current liabilities			6,455,693		10,389,813
Creditors: amounts falling due after more than one year	19		(2,167)		(3,865)
Provisions for liabilities	21		-		(182,243)
Net assets			6,453,526		10,203,705
Capital and reserves					
Called up share capital	23		50,502		50,502
Other reserves			(62,562)		(84,657)
Profit and loss reserves			6,465,586		10,237,860
Total equity			6,453,526		10,203,705

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 31 MARCH 2017

	Notes	2017		2016 as restated	
		£	£	£	£
Fixed assets					
Investments	13		51,000		51,000
Current assets					
Debtors	17	130,502		130,502	
Creditors: amounts falling due within one year					
	18	(131,000)		(131,000)	
Net current liabilities			(498)		(498)
Total assets less current liabilities			<u>50,502</u>		<u>50,502</u>
Capital and reserves					
Called up share capital	23		<u>50,502</u>		<u>50,502</u>

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 (2016 - £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 31 MARCH 2017

	Share capital £	Other reserves £	Profit and loss reserves £	Total controlling interest £	Non-controlling interest £	Total £
As restated for the period ended 31 March 2016:						
Balance at 1 April 2015	50,502	(18,473)	6,990,374	7,022,403	(51,223)	6,971,180
Year ended 31 March 2016:						
Profit and total comprehensive income for the year	-	-	3,247,486	3,247,486	51,223	3,298,709
Transfers	-	(66,184)	-	(66,184)	-	(66,184)
Balance at 31 March 2016	50,502	(84,657)	10,237,860	10,203,705	-	10,203,705
Year ended 31 March 2017:						
Loss and total comprehensive income for the year	-	-	(3,772,274)	(3,772,274)	-	(3,772,274)
Transfers	-	22,095	-	22,095	-	22,095
Balance at 31 March 2017	50,502	(62,562)	6,465,586	6,453,526	-	6,453,526

MECH-TOOL HOLDINGS LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2017

	Share capital £
As restated for the period ended 31 March 2016:	
Balance at 1 April 2015	50,502
Year ended 31 March 2016:	
Profit and total comprehensive income for the year	-
Balance at 31 March 2016	50,502
Year ended 31 March 2017:	
Profit and total comprehensive income for the year	-
Balance at 31 March 2017	50,502

MECH-TOOL HOLDINGS LIMITED

GROUP STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2017

	Notes	2017 £	£	2016 £	£
Cash flows from operating activities					
Cash (absorbed by)/generated from operations	27		(364,408)		1,251,715
Interest paid			-		(1,178)
Income taxes paid			(278,665)		(460,244)
			<u> </u>		<u> </u>
Net cash (outflow)/inflow from operating activities			(643,073)		790,293
Investing activities					
Purchase of tangible fixed assets		(561,118)		(647,818)	
Proceeds on disposal of tangible fixed assets		-		9,220	
Proceeds from other investments and loans		-		(870,000)	
Interest received		2,470		5,237	
		<u> </u>		<u> </u>	
Net cash used in investing activities			(558,648)		(1,503,361)
Financing activities					
Payment of finance leases obligations		666		(4,003)	
		<u> </u>		<u> </u>	
Net cash generated from/(used in) financing activities			666		(4,003)
Net decrease in cash and cash equivalents			(1,201,055)		(717,071)
Cash and cash equivalents at beginning of year			4,178,467		4,895,538
			<u> </u>		<u> </u>
Cash and cash equivalents at end of year			<u>2,977,412</u>		<u>4,178,467</u>

MECH-TOOL HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017

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. 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.

MECH-TOOL HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2017

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.

Investments in associates are recognised initially in the consolidated statement of financial position at the transaction price and subsequently adjusted to reflect the group's share of total comprehensive income and equity of the associated, less any impairment.

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), 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.

Construction contracts

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.

MECH-TOOL HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2017

1 Accounting policies

(Continued)

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.

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.

MECH-TOOL HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2017

1 Accounting policies

(Continued)

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.

1.9 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.

MECH-TOOL HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2017

1 Accounting policies

(Continued)

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.

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.

MECH-TOOL HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2017

1 Accounting policies

(Continued)

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.

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.

MECH-TOOL HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2017

1 Accounting policies

(Continued)

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.

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 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

	2017	2016
	£	£
Other significant revenue		
Interest income	2,470	5,237
	<u> </u>	<u> </u>
	2017	2016
	£	£
Turnover analysed by geographical market		
United Kingdom	5,775,168	9,174,323
Overseas	21,344,522	17,462,364
	<u> </u>	<u> </u>
	<u>27,119,690</u>	<u>26,636,687</u>

MECH-TOOL HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2017

4	Exceptional costs	2017	2016
		£	£
	Loss on foreign currency derivative contracts	2,476,614	-
	Change in fair value of hedging liabilities - (credit)/charge	(820,984)	(899,461)
	Revaluation of foreign currency monetary items to spot rates - charge/ (credit)	312,731	150,349
		<u>1,968,361</u>	<u>(749,112)</u>

The loss on foreign currency derivative contracts of £2,476,614 relates to contracts which were closed out during the year.

The change in fair value of hedging liabilities of £820,984 (2016 : £899,461) relate to forward foreign exchange contracts. The fair value of these derivative financial instruments at 31 March 2017, 31 March 2016 and 31 March 2015 were £301,051, £1,122,035 and £2,021,496 respectively resulting in the change in fair values noted previously.

Revaluation of foreign currency monetary items to spot rates include £256,451 charge (2016 : £578,984 credit) in respect of amounts recoverable on US dollar denominated contracts.

5	Operating (loss)/profit	2017	2016
		£	£
	Operating (loss)/profit for the year is stated after charging/(crediting):		
	Exchange gains	-	(12,204)
	Depreciation of owned tangible fixed assets	550,753	482,796
	(Profit)/loss on disposal of tangible fixed assets	-	23,254
	Cost of stocks recognised as an expense	14,534,497	11,083,211
	Operating lease charges	261,416	38,858
		<u>14,534,497</u>	<u>11,083,211</u>

6	Auditor's remuneration	2017	2016
		£	£
	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
		<u>9,500</u>	<u>9,500</u>

MECH-TOOL HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2017

7 Employees

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

	Group 2017 Number	2016 Number	Company 2017 Number	2016 Number
Production and engineering services	214	211	-	-
Administration and selling	26	31	-	-
	<u>240</u>	<u>242</u>	<u>-</u>	<u>-</u>

Their aggregate remuneration comprised:

	Group 2017 £	2016 £	Company 2017 £	2016 £
Wages and salaries	12,796,794	9,676,108	-	-
Social security costs	946,872	849,742	-	-
Pension costs	347,409	323,599	-	-
	<u>14,091,075</u>	<u>10,849,449</u>	<u>-</u>	<u>-</u>

8 Directors' remuneration

	2017 £	2016 £
Remuneration for qualifying services	139,445	138,195
Company pension contributions to defined contribution schemes	12,625	12,500
	<u>152,070</u>	<u>150,695</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounts to 1 (2016: 1).

9 Interest receivable and similar income

	2017 £	2016 £
Interest income		
Interest on bank deposits	2,470	5,237
	<u>2,470</u>	<u>5,237</u>

Investment income includes the following:

Interest on financial assets not measured at fair value through profit or loss	<u>2,470</u>	<u>5,237</u>
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MECH-TOOL HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2017

10 Interest payable and similar expenses

	2017	2016
	£	£
Interest on financial liabilities measured at amortised cost:		
Interest on bank overdrafts and loans	-	1,178
	<u> </u>	<u> </u>

11 Taxation

	2017	2016
	£	£
Current tax		
UK corporation tax on profits for the current period	(447,982)	306,046
Adjustments in respect of prior periods	(370,558)	(10,517)
	<u> </u>	<u> </u>
Total current tax	(818,540)	295,529
	<u> </u>	<u> </u>
Deferred tax		
Origination and reversal of timing differences	(735,235)	-
Adjustment in respect of prior periods	-	25,268
	<u> </u>	<u> </u>
Total deferred tax	(735,235)	25,268
	<u> </u>	<u> </u>
Total tax (credit)/charge for the year	(1,553,775)	320,797
	<u> </u>	<u> </u>

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:

	2017	2016
	£	£
(Loss)/profit before taxation	(5,326,049)	3,619,506
	<u> </u>	<u> </u>
Expected tax (credit)/charge based on the standard rate of corporation tax in the UK of 20.00% (2016: 20.00%)	(1,065,210)	723,901
Tax effect of expenses that are not deductible in determining taxable profit	1,200	(31,862)
Unutilised tax losses carried forward	27,793	-
Adjustments in respect of prior years	(370,558)	(216,158)
Permanent capital allowances in excess of depreciation	-	(9,143)
Research and development tax credit	(147,000)	(160,000)
Under/(over) provided in prior years	-	(10,517)
Deferred tax adjustments in respect of prior years	-	24,576
	<u> </u>	<u> </u>
Taxation (credit)/charge for the year	(1,553,775)	320,797
	<u> </u>	<u> </u>

MECH-TOOL HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2017

12 Tangible fixed assets

Group	Leasehold land and buildings	Plant and machinery	Fixtures and fittings	Computer equipment	Motor vehicles	Total
	£	£	£	£	£	£
Cost						
At 1 April 2016	1,132,449	2,204,002	681,760	308,310	61,894	4,388,415
Additions	246,873	113,358	86,554	90,083	-	536,868
Disposals	-	-	-	(95,300)	-	(95,300)
Exchange adjustments	9,030	15,395	8,899	3,514	1,727	38,565
At 31 March 2017	1,388,352	2,332,755	777,213	306,607	63,621	4,868,548
Depreciation and impairment						
At 1 April 2016	485,916	1,104,473	353,687	211,463	51,004	2,206,543
Depreciation charged in the year	132,610	256,595	83,512	73,655	4,381	550,753
Eliminated in respect of disposals	-	-	-	(95,300)	-	(95,300)
Exchange adjustments	1,943	6,693	3,095	2,145	440	14,316
At 31 March 2017	620,469	1,367,761	440,294	191,963	55,825	2,676,312
Carrying amount						
At 31 March 2017	767,883	964,994	336,919	114,644	7,796	2,192,236
At 31 March 2016	646,533	1,099,530	328,073	96,847	10,890	2,181,873

MECH-TOOL HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2017

13 Fixed asset investments

	Notes	Group 2017 £	2016 £	Company 2017 £	2016 £
Investments in subsidiaries	14	-	-	51,000	51,000

Movements in fixed asset investments Company

	Shares in group undertakings £
Cost or valuation	
At 1 April 2016 and 31 March 2017	51,000
Carrying amount	
At 31 March 2017	51,000
At 31 March 2016	51,000

14 Subsidiaries

Details of the company's subsidiaries at 31 March 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	

15 Financial instruments

	Group 2017 £	2016 £	Company 2017 £	2016 £
Carrying amount of financial assets				
Debt instruments measured at amortised cost	5,010,030	4,396,065	130,502	130,502
Carrying amount of financial liabilities				
Measured at fair value through profit or loss				
- Other financial liabilities	301,051	1,122,035	-	-
Measured at amortised cost	14,402,642	5,456,880	131,000	131,000

Other financial liabilities represent forward foreign currency contracts which have been valued using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts.

MECH-TOOL HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2017

16 Stocks		Group 2017 £	2016 £	Company 2017 £	2016 £
	Raw materials and consumables	1,665,522	838,432	-	-
17 Debtors		Group 2017 £	2016 £	Company 2017 £	2016 £
Amounts falling due within one year:					
	Trade debtors	4,785,905	3,486,544	-	-
	Amounts recoverable on contracts	7,477,845	5,236,213	-	-
	Corporation tax recoverable	1,002,754	-	-	-
	Other debtors	624,107	909,521	130,502	130,502
	Prepayments and accrued income	301,147	522,540	-	-
		14,191,758	10,154,818	130,502	130,502
	Deferred tax asset (note 21)	552,992	-	-	-
		14,744,750	10,154,818	130,502	130,502
18 Creditors: amounts falling due within one year		Group 2017 £	2016 £	Company 2017 £	2016 £
	Notes				
	Obligations under finance leases	20	2,364	-	-
	Payments received on account		8,471,416	-	-
	Trade creditors		3,923,979	-	-
	Corporation tax payable		-	94,453	-
	Other taxation and social security		422,701	-	-
	Derivative financial instruments		301,051	1,122,035	-
	Other creditors		351,036	251,992	131,000
	Accruals and deferred income		1,651,680	1,172,971	-
			15,124,227	6,963,777	131,000
19 Creditors: amounts falling due after more than one year		Group 2017 £	2016 £	Company 2017 £	2016 £
	Notes				
	Obligations under finance leases	20	2,167	3,865	-

MECH-TOOL HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2017

20 Finance lease obligations

	Group 2017 £	2016 £	Company 2017 £	2016 £
Future minimum lease payments due under finance leases:				
Within one year	2,364	-	-	-
In two to five years	2,167	3,865	-	-
	<u>4,531</u>	<u>3,865</u>	<u>-</u>	<u>-</u>

21 Deferred taxation

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

	Liabilities 2017 £	Liabilities 2016 £	Assets 2017 £	Assets 2016 £
Group				
Accelerated capital allowances	-	182,243	(150,008)	-
Tax losses	-	-	703,000	-
	<u>-</u>	<u>182,243</u>	<u>552,992</u>	<u>-</u>

	Group 2017 £	Company 2017 £
Movements in the year:		
Liability at 1 April 2016	182,243	-
Credit to profit or loss	(735,235)	-
Liability/(asset) at 31 March 2017	<u>(552,992)</u>	<u>-</u>

22 Retirement benefit schemes

	2017 £	2016 £
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	<u>347,409</u>	<u>323,599</u>

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.

MECH-TOOL HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2017

23 Share capital

	Group and company	
	2017	2016
	£	£
Ordinary share capital		
Issued and fully paid		
50,002 ordinary shares of £1 each	50,002	50,002
500 "A" ordinary shares of £1 each	500	500
	<u>50,502</u>	<u>50,502</u>

24 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	
	2017	2016	2017	2016
	£	£	£	£
Within one year	12,828	12,391	-	-
Between two and five years	12,910	4,000	-	-
	<u>25,738</u>	<u>16,391</u>	<u>-</u>	<u>-</u>

25 Related party transactions

Remuneration of key management personnel

The remuneration of key management personnel is as follows.

	2017	2016
	£	£
Aggregate compensation	<u>663,140</u>	<u>695,743</u>

The company has taken advantage of exemption, under the terms of Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', not to disclose related party transactions with wholly owned subsidiaries within the group.

Transactions between group entities which have been eliminated on consolidation are not disclosed within the financial statements.

26 Directors' transactions

Rental payments were made to a director during the year. The amount paid during the year was £300,000 (2016: £300,613).

MECH-TOOL HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2017

27 Cash generated from group operations

	2017 £	2016 £
(Loss)/profit for the year after tax	(3,772,274)	3,298,709
Adjustments for:		
Taxation (credited)/charged	(1,553,775)	320,797
Finance costs	-	1,178
Investment income	(2,470)	(5,237)
(Gain)/loss on disposal of tangible fixed assets	-	23,254
Depreciation and impairment of tangible fixed assets	550,753	482,796
Foreign exchange gains on cash equivalents	(195,843)	(66,181)
Movements in working capital:		
(Increase)/decrease in stocks	(827,090)	1,116,905
(Increase)/decrease in debtors	(2,634,204)	521,403
Increase/(decrease) in creditors	8,070,495	(4,441,909)
Cash (absorbed by)/generated from operations	(364,408)	1,251,715

MECH-TOOL HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2017

28 Prior period adjustment

Prior year adjustment 1

Hedge accounting was adopted in the preparation of the financial statements for the year ended 31 March 2016, albeit that this was not disclosed correctly in accordance with FRS 102.12.28 – 29A.

There was no hedge accounting policy statement approved by the Board or documented designations of hedging instruments and therefore hedge accounting should not have been applied.

The financial statements for the year ended 31 March 2016 include within current assets, amounts recoverable on contracts, amounts of £1,000,608 (2015 : £1,065,524 and 2014 : £601,022) in respect of hedges of the foreign currency risk of unrecognised firm commitments which have been accounted for as a cash flow hedge.

As described above, hedge accounting should not have been applied and the above amounts should not have been recognised in current assets.

Prior year adjustment 2

Further, the financial statements for the year ended 31 March 2016 include within creditors, foreign exchange contracts hedging liabilities an amount of £915,778. The fair value of the derivatives representing this financial liability have been measured incorrectly and should have been stated at a fair value of £1,122,035.

Profit and loss account

The effect of the above two prior year adjustments on the profit and loss accounts (prepared under FRS102) are as follows:

	Effect on profit
	£
Year ended 31 March 2016	(141,341)
Year ended 31 March 2015	(464,502)
Year ended 31 March 2014	<u>(601,022)</u>
Profit/(loss) before tax	(1,206,865)
Corporation tax credit	<u>241,373</u>
Profit/(loss) after tax	<u>(965,492)</u>

Prior year adjustment 3

The financial statements for the years ended 31 March 2016 and 31 March 2015 include amounts paid as margin calls in respect of forward foreign currency contracts in the amounts of £829,225 and £1,509,054 respectively, which have been disclosed as balances within cash at bank and in hand.

The margin call payments have been reclassified as amounts within other debtors.

Prior year adjustment 4

The financial statements for the year ended 31 March 2016 do not include any adjustment to revalue amounts recoverable on US dollar denominated contracts to spot rate at the reporting period end.

An adjustment has been made of £578,984 representing the increase in the value of amounts recoverable on contracts as a result of revaluing dollar denominated contracts to spot rates. The adjustment has been disclosed within an additional line item in the income statement.

MECH-TOOL HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2017

28 Prior period adjustment

(Continued)

Changes to balance sheet

	As previously reported £	At 31 March 2016		As restated £
		Prior year adjustment £	£	
Current Assets				
Trade debtors	3,486,544	-	-	3,486,544
Amounts recoverable on contracts	4,657,229	-	578,984	5,236,213
Hedges of unrecognised firm commitments	1,000,608	(1,000,608)	-	-
Other debtors	80,298	829,225	-	909,523
Prepayments and accrued income	522,540	-	-	522,540
	<u>9,747,219</u>	<u>(171,383)</u>	<u>578,984</u>	<u>10,154,820</u>
Cash at bank and in hand	<u>5,007,692</u>	<u>(829,225)</u>	<u>-</u>	<u>4,178,467</u>
Creditors due within one year				
Payments on account	(876,379)	-	-	(876,379)
Trade creditors	(3,151,673)	-	-	(3,151,673)
Corporation tax	(220,029)	241,373	(115,797)	(94,453)
Taxation and social security	(294,274)	-	-	(294,274)
Other creditors	(251,992)	-	-	(251,992)
Foreign exchange contracts - liability	(915,778)	(206,257)	-	(1,122,035)
Accruals and deferred income	(1,172,971)	-	-	(1,172,971)
	<u>(6,883,096)</u>	<u>35,116</u>	<u>(115,797)</u>	<u>(6,963,777)</u>
Capital and reserves				
Profit and loss	<u>10,740,165</u>	<u>(965,492)</u>	<u>463,187</u>	<u>10,237,860</u>

MECH-TOOL HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2017

28 Prior period adjustment

(Continued)

Changes to the profit and loss account	Period ended 31 March 2016			As restated £
	As previously reported £	Prior year adjustment £	£	
Exceptional items – (charge)/credit:				
Change in fair value of hedged items	(64,916)	64,916	-	-
Change in fair value of hedging liabilities	1,105,718	(206,257)	-	899,461
Revaluation of foreign currency monetary items	(729,333)	-	578,984	(150,349)
	<u>311,469</u>	<u>(141,341)</u>	<u>578,984</u>	<u>749,112</u>
Taxation - (charge)/credit	<u>(446,373)</u>	<u>241,373</u>	<u>(115,797)</u>	<u>(320,797)</u>
Profit for the financial period	<u>2,735,490</u>	<u>100,032</u>	<u>463,187</u>	<u>3,298,709</u>