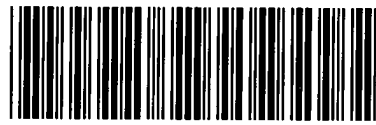


COMPANY REGISTRATION NUMBER: 1112880

Mechatherm International Ltd
Financial Statements
28 February 2018

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COMPANIES HOUSE

GARRATTS WOLVERHAMPTON LIMITED

Chartered accountant & statutory auditor

29 Waterloo Road

Wolverhampton

WV1 4DJ

Mechatherm International Ltd

Financial Statements

Year ended 28 February 2018

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Mechatherm International Ltd

Strategic Report

Year ended 28 February 2018

Principal activities

The principal activity of the company during the year was the manufacture of ovens, furnaces and furnace burners.

Business review

The price of aluminium has recovered to record highs and consequently the market is continuing to remain buoyant. We have managed to recruit the staff we need to handle the increase in turnover. We have also opened an office in Dubai to serve our customers in the area better. We are reviewing our internal systems to ensure they are satisfactory at the increased level of business. The challenge is to ensure we manage the larger turnover with a higher percentage of new staff.

Principal risks and uncertainties

We believe the future for our products is bright unless reasons outside our control, such as Brexit, become significant.

Financial key performance indicators

The management monitor the business using the following key performance indicators.

	2018	2017
	£	£
Net cash held	6,843,454	2,198,567
Equity shareholders funds	1,841,322	1,787,613

Net cash held - Management aim to hold cash reserves sufficient to meet the financing needs of the company and its contractual commitments.

Equity shareholders funds - Management aim to increase shareholders funds each year to reflect the increasing size and complexity of the contracts which it undertakes.

This report was approved by the board of directors on 12 June 2018 and signed on behalf of the board by:



Mr A F Riley
Director

Registered office:
Hampshire House
High Street
Kingswinford
West Midlands
DY6 8AW

Mechatherm International Ltd

Directors' Report

Year ended 28 February 2018

The directors present their report and the financial statements of the company for the year ended 28 February 2018.

Directors

The directors who served the company during the year were as follows:

Mr A F Riley
Mr A R Burrows
Mr C B Emes
Mr N C Walker

Dividends

Particulars of recommended dividends are detailed in note 12 to the financial statements.

Directors' responsibilities statement

The directors are responsible for preparing the strategic report, directors' 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 company and the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

Auditor

Each of the persons who is a director at the date of approval of this report confirms that:

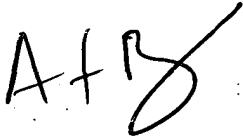
- so far as they are aware, there is no relevant audit information of which the company's auditor is unaware; and
- they have taken all steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Mechatherm International Ltd

Directors' Report *(continued)*

Year ended 28 February 2018

This report was approved by the board of directors on 12 June 2018 and signed on behalf of the board by:

A handwritten signature in black ink, appearing to read 'A F Riley', with a large, stylized flourish at the end.

Mr A F Riley
Director

Registered office:
Hampshire House
High Street
Kingswinford
West Midlands
DY6 8AW

Mechatherm International Ltd

Independent Auditor's Report to the Members of Mechatherm International Ltd

Year ended 28 February 2018

Opinion

We have audited the financial statements of Mechatherm International Ltd (the 'company') for the year ended 28 February 2018 which comprise the statement of comprehensive income, statement of financial position, statement of cash flows and the related notes, 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).

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.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 28 February 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

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

Mechatherm International Ltd

Independent Auditor's Report to the Members of Mechatherm International Ltd *(continued)*

Year ended 28 February 2018

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.

Opinions on other matters prescribed by the companies act 2006

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

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Mechatherm International Ltd

Independent Auditor's Report to the Members of Mechatherm International Ltd *(continued)*

Year ended 28 February 2018

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.

As part of an audit in accordance with ISAs (UK), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Mechatherm International Ltd

Independent Auditor's Report to the Members of Mechatherm International Ltd *(continued)*

Year ended 28 February 2018

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



John Hitchen BA FCA (Senior Statutory Auditor)

For and on behalf of
Garratts Wolverhampton Limited
Chartered accountant & statutory auditor
29 Waterloo Road
Wolverhampton
WV1 4DJ

12 June 2018

Mechatherm International Ltd

Statement of Comprehensive Income

Year ended 28 February 2018

	Note	2018 £	2017 £
Turnover	4	13,558,353	7,837,756
Cost of sales		<u>12,235,230</u>	<u>6,389,896</u>
Gross profit		1,323,123	1,447,860
Administrative expenses		<u>1,647,468</u>	<u>1,299,138</u>
Operating (loss)/profit	5	(324,345)	148,722
Other interest receivable and similar income	9	18,320	9,385
Interest payable and similar expenses	10	<u>(434,846)</u>	<u>72,406</u>
Profit before taxation		128,821	85,701
Tax on profit	11	<u>(25,138)</u>	<u>(14,260)</u>
Profit for the financial year and total comprehensive income		<u>153,959</u>	<u>99,961</u>

All the activities of the company are from continuing operations.

The notes on pages 11 to 21 form part of these financial statements.

Mechatherm International Ltd

Statement of Financial Position

28 February 2018

	Note	2018 £	2017 £
Fixed assets			
Tangible assets	13	69,267	45,734
Investments	14	75	75
		<u>69,342</u>	<u>45,809</u>
Current assets			
Stocks	15	582,549	842,352
Debtors	16	933,426	869,411
Cash at bank and in hand		7,391,235	2,370,191
		<u>8,907,210</u>	<u>4,081,954</u>
Creditors: amounts falling due within one year	18	<u>7,120,271</u>	<u>2,375,344</u>
Net current assets		<u>1,786,939</u>	<u>1,706,610</u>
Total assets less current liabilities		<u>1,856,281</u>	<u>1,752,419</u>
Provisions	19	<u>14,959</u>	<u>(35,194)</u>
Net assets		<u>1,841,322</u>	<u>1,787,613</u>
Capital and reserves			
Called up share capital	23	10,000	10,000
Profit and loss account	24	1,831,322	1,777,613
Shareholders funds		<u>1,841,322</u>	<u>1,787,613</u>

These financial statements were approved by the board of directors and authorised for issue on 12 June 2018, and are signed on behalf of the board by:



Mr A R Burrows
Director

Company registration number: 1112880

The notes on pages 11 to 21 form part of these financial statements.

Mechatherm International Ltd

Statement of Cash Flows

Year ended 28 February 2018

	Note	2018 £	2017 £
Cash flows from operating activities			
Profit for the financial year		153,959	99,961
<i>Adjustments for:</i>			
Depreciation of tangible assets		46,584	52,417
Other interest receivable and similar income		(18,320)	(9,385)
Tax on profit		(25,138)	(14,260)
Accrued expenses/(income)		12,447	(307,748)
<i>Changes in:</i>			
Stocks		259,803	(580,596)
Trade and other debtors		(64,015)	177,021
Trade and other creditors		4,356,323	(850,051)
Cash generated from operations		4,721,643	(1,432,641)
FRS102 fair value adjustment		434,846	(72,406)
Interest received		18,320	9,385
Tax received/(paid)		75,291	(59,331)
Net cash from/(used in) operating activities		<u>5,250,100</u>	<u>(1,554,993)</u>
Cash flows from investing activities			
Purchase of tangible assets		(70,116)	(10,773)
Proceeds from sale of tangible assets		(1)	(1)
Purchase of futures contracts, forward contracts, option contracts and swap contracts		(434,846)	72,406
Net cash (used in)/from investing activities		<u>(504,963)</u>	<u>61,632</u>
Cash flows from financing activities			
Dividends paid		(100,250)	(50,000)
Net cash used in financing activities		<u>(100,250)</u>	<u>(50,000)</u>
Net increase/(decrease) in cash and cash equivalents		4,644,887	(1,543,361)
Cash and cash equivalents at beginning of year		2,198,567	3,741,928
Cash and cash equivalents at end of year	17	<u>6,843,454</u>	<u>2,198,567</u>

The notes on pages 11 to 21 form part of these financial statements.

Mechatherm International Ltd

Notes to the Financial Statements

Year ended 28 February 2018

1. General information

The company is a private company limited by shares, registered in England and Wales. The address of the registered office is Hampshire House, High Street, Kingswinford, West Midlands, DY6 8AW.

2. Statement of compliance

These financial statements have been prepared in compliance with FRS 102, 'The Financial Reporting Standard applicable in the UK and the Republic of Ireland'.

3. Accounting policies

Basis of preparation

The financial statements have been prepared on the historical cost basis, as modified by the revaluation of certain financial assets and liabilities and investment properties measured at fair value through profit or loss.

The financial statements are prepared in sterling, which is the functional currency of the entity.

Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported. These estimates and judgements are continually reviewed and are based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Revenue recognition

Turnover is measured at the fair value of the consideration received or receivable for goods supplied and services rendered, net of discounts and Value Added Tax.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership have transferred to the buyer (usually on despatch of the goods); the amount of revenue can be measured reliably; it is probable that the associated economic benefits will flow to the entity; and the costs incurred or to be incurred in respect of the transactions can be measured reliably.

Income tax

The taxation expense represents the aggregate amount of current and deferred tax recognised in the reporting period. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, tax is recognised in other comprehensive income or directly in equity, respectively.

Current tax is recognised on taxable profit for the current and past periods. Current tax is measured at the amounts of tax expected to pay or recover using the tax rates and laws that have been enacted or substantively enacted at the reporting date.

Deferred tax is recognised in respect of all timing differences at the reporting date. Unrelieved tax losses and other 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. Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

Mechatherm International Ltd

Notes to the Financial Statements *(continued)*

Year ended 28 February 2018

3. Accounting policies *(continued)*

Foreign currencies

Foreign currency transactions are initially recorded in the functional currency, by applying the spot exchange rate as at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate ruling at the reporting date, with any gains or losses being taken to the profit and loss account.

Tangible assets

Tangible assets are initially recorded at cost, and subsequently stated at cost less any accumulated depreciation and impairment losses. Any tangible assets carried at revalued amounts are recorded at the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

An increase in the carrying amount of an asset as a result of a revaluation, is recognised in other comprehensive income and accumulated in equity, except to the extent it reverses a revaluation decrease of the same asset previously recognised in profit or loss. A decrease in the carrying amount of an asset as a result of revaluation, is recognised in other comprehensive income to the extent of any previously recognised revaluation increase accumulated in equity in respect of that asset. Where a revaluation decrease exceeds the accumulated revaluation gains accumulated in equity in respect of that asset, the excess shall be recognised in profit or loss.

Depreciation

Depreciation is calculated so as to write off the cost or valuation of an asset, less its residual value, over the useful economic life of that asset as follows:

Fixtures and fittings	-	10% straight line
Computer Equipment	-	25% straight line

Investments

Fixed asset investments are initially recorded at cost, and subsequently stated at cost less any accumulated impairment losses.

Listed investments are measured at fair value with changes in fair value being recognised in profit or loss.

Impairment of fixed assets

A review for indicators of impairment is carried out at each reporting date, with the recoverable amount being estimated where such indicators exist. Where the carrying value exceeds the recoverable amount, the asset is impaired accordingly. Prior impairments are also reviewed for possible reversal at each reporting date.

For the purposes of impairment testing, when it is not possible to estimate the recoverable amount of an individual asset, an estimate is made of the recoverable amount of the cash-generating unit to which the asset belongs. The cash-generating unit is the smallest identifiable group of assets that includes the asset and generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Mechatherm International Ltd

Notes to the Financial Statements *(continued)*

Year ended 28 February 2018

3. Accounting policies *(continued)*

Stocks

Stocks are measured at the lower of cost and estimated selling price less costs to complete and sell. Cost includes all costs of purchase, costs of conversion and other costs incurred in bringing the stock to its present location and condition. Work in progress on contracts is stated after deducting provision for specific losses thereon, and instalments received in respect of work carried out. Instalments received in respect of work not yet carried out are included in creditors.

Provisions

Provisions are recognised when the entity has an obligation at the reporting date as a result of a past event, it is probable that the entity will be required to transfer economic benefits in settlement and the amount of the obligation can be estimated reliably. Provisions are recognised as a liability in the statement of financial position and the amount of the provision as an expense.

Provisions are initially measured at the best estimate of the amount required to settle the obligation at the reporting date and subsequently reviewed at each reporting date and adjusted to reflect the current best estimate of the amount that would be required to settle the obligation. Any adjustments to the amounts previously recognised are recognised in profit or loss unless the provision was originally recognised as part of the cost of an asset. When a provision is measured at the present value of the amount expected to be required to settle the obligation, the unwinding of the discount is recognised as a finance cost in profit or loss in the period it arises.

Financial instruments

A financial asset or a financial liability is recognised only when the company becomes a party to the contractual provisions of the instrument.

Basic financial instruments are initially recognised at the transaction price, unless the arrangement constitutes a financing transaction, where it is recognised at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Debt instruments are subsequently measured at amortised cost.

Where investments in non-convertible preference shares and non-puttable ordinary shares or preference shares are publicly traded or their fair value can otherwise be measured reliably, the investment is subsequently measured at fair value with changes in fair value recognised in profit or loss. All other such investments are subsequently measured at cost less impairment.

Other financial instruments, including derivatives, are initially recognised at fair value, unless payment for an asset is deferred beyond normal business terms or financed at a rate of interest that is not a market rate, in which case the asset is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Other financial instruments are subsequently measured at fair value, with any changes recognised in profit or loss, with the exception of hedging instruments in a designated hedging relationship.

Financial assets that are measured at cost or amortised cost are reviewed for objective evidence of impairment at the end of each reporting date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss immediately.

Mechatherm International Ltd

Notes to the Financial Statements (continued)

Year ended 28 February 2018

3. Accounting policies (continued)

Financial instruments (continued)

For all equity instruments regardless of significance, and other financial assets that are individually significant, these are assessed individually for impairment. Other financial assets are either assessed individually or grouped on the basis of similar credit risk characteristics.

Any reversals of impairment are recognised in profit or loss immediately, to the extent that the reversal does not result in a carrying amount of the financial asset that exceeds what the carrying amount would have been had the impairment not previously been recognised.

Defined contribution plans

Contributions to defined contribution plans are recognised as an expense in the period in which the related service is provided. Prepaid contributions are recognised as an asset to the extent that the prepayment will lead to a reduction in future payments or a cash refund.

When contributions are not expected to be settled wholly within 12 months of the end of the reporting date in which the employees render the related service, the liability is measured on a discounted present value basis. The unwinding of the discount is recognised as a finance cost in profit or loss in the period in which it arises.

4. Turnover

Turnover arises from:

	2018	2017
	£	£
Sale of goods	<u>13,558,353</u>	<u>7,837,756</u>

The turnover is attributable to the one principal activity of the company. An analysis of turnover by the geographical markets that substantially differ from each other is given below:

	2018	2017
	£	£
United Kingdom	2,148,241	2,971,391
Overseas	<u>11,410,112</u>	<u>4,866,365</u>
	<u>13,558,353</u>	<u>7,837,756</u>

5. Operating profit

Operating profit or loss is stated after charging/crediting:

	2018	2017
	£	£
Depreciation of tangible assets	46,584	52,417
Impairment of trade debtors	4,285	—
Foreign exchange differences	<u>(89,983)</u>	<u>(99,488)</u>

6. Auditor's remuneration

	2018	2017
	£	£
Fees payable for the audit of the financial statements	<u>11,000</u>	<u>11,000</u>

Mechatherm International Ltd

Notes to the Financial Statements *(continued)*

Year ended 28 February 2018

7. Staff costs

The average number of persons employed by the company during the year, including the directors, amounted to:

	2018	2017
	No	No
Production staff	42	25
Distribution staff	8	6
Administrative staff	17	14
	<u>67</u>	<u>45</u>

The aggregate payroll costs incurred during the year, relating to the above, were:

	2018	2017
	£	£
Wages and salaries	2,365,740	1,632,856
Social security costs	263,684	177,936
Other pension costs	147,184	126,041
	<u>2,776,608</u>	<u>1,936,833</u>

8. Directors' remuneration

The directors' aggregate remuneration in respect of qualifying services was:

	2018	2017
	£	£
Remuneration	390,013	343,690
Company contributions to defined contribution pension plans	10,277	9,582
	<u>400,290</u>	<u>353,272</u>

Remuneration of the highest paid director in respect of qualifying services:

	2018	2017
	£	£
Aggregate remuneration	<u>142,368</u>	<u>152,058</u>

9. Other interest receivable and similar income

	2018	2017
	£	£
Interest on cash and cash equivalents	<u>18,320</u>	<u>9,385</u>

10. Interest payable and similar expenses

	2018	2017
	£	£
Profit/loss on fair value adjustment of financial assets at fair value through profit or loss	<u>(434,846)</u>	<u>72,406</u>

Mechatherm International Ltd

Notes to the Financial Statements *(continued)*

Year ended 28 February 2018

11. Tax on profit

Major components of tax income

	2018 £	2017 £
Current tax:		
UK current tax income	(75,291)	(15,452)
Deferred tax:		
Origination and reversal of timing differences	50,153	1,192
Tax on profit	<u>(25,138)</u>	<u>(14,260)</u>

Reconciliation of tax income

The tax assessed on the profit on ordinary activities for the year is lower than (2017: lower than) the standard rate of corporation tax in the UK of 19% (2017: 20%).

	2018 £	2017 £
Profit on ordinary activities before taxation	<u>128,821</u>	<u>85,701</u>
Profit on ordinary activities by rate of tax	24,806	17,140
Adjustment to tax charge in respect of prior periods	(68,565)	(54,394)
Effect of expenses not deductible for tax purposes	946	1,108
Effect of capital allowances and depreciation	(6,170)	6,213
Deferred taxes and Marginal relief	50,153	1,192
Other tax adjustment to increase/(decrease) tax liability	(26,308)	14,481
Tax on profit	<u>(25,138)</u>	<u>(14,260)</u>

12. Dividends

	2018 £	2017 £
Dividends paid during the year (excluding those for which a liability existed at the end of the prior year)	<u>100,250</u>	<u>50,000</u>

Mechatherm International Ltd

Notes to the Financial Statements *(continued)*

Year ended 28 February 2018

13. Tangible assets

	Fixtures and fittings £	Equipment £	Total £
Cost			
At 1 March 2017	38,847	210,424	249,271
Additions	670	69,446	70,116
Disposals	–	(13,458)	(13,458)
At 28 February 2018	<u>39,517</u>	<u>266,412</u>	<u>305,929</u>
Depreciation			
At 1 March 2017	31,649	171,888	203,537
Charge for the year	2,746	43,838	46,584
Disposals	–	(13,459)	(13,459)
At 28 February 2018	<u>34,395</u>	<u>202,267</u>	<u>236,662</u>
Carrying amount			
At 28 February 2018	<u>5,122</u>	<u>64,145</u>	<u>69,267</u>
At 28 February 2017	<u>7,198</u>	<u>38,536</u>	<u>45,734</u>

14. Investments

	Shares in group undertakings £
Cost	
At 1 March 2017 and 28 February 2018	<u>75</u>
Impairment	
At 1 March 2017 and 28 February 2018	<u>–</u>
Carrying amount	
At 28 February 2018	<u>75</u>
At 28 February 2017	<u>75</u>

15. Stocks

	2018 £	2017 £
Work in progress	<u>582,549</u>	<u>842,352</u>

Mechatherm International Ltd

Notes to the Financial Statements (continued)

Year ended 28 February 2018

16. Debtors

	2018	2017
	£	£
Trade debtors	467,551	684,985
Amounts owed by group undertakings	137,037	—
Prepayments and accrued income	153,168	156,233
Corporation tax repayable	79,655	28,193
Other debtors	96,015	—
	<u>933,426</u>	<u>869,411</u>

17. Cash and cash equivalents

Cash and cash equivalents comprise the following:

	2018	2017
	£	£
Cash at bank and in hand	7,391,235	2,370,191
Bank overdrafts	(547,781)	(171,624)
	<u>6,843,454</u>	<u>2,198,567</u>

18. Creditors: amounts falling due within one year

	2018	2017
	£	£
Bank loans and overdrafts	547,781	171,624
Payments received on account	4,793,646	203,948
Trade creditors	1,551,337	1,396,338
Amounts owed to related parties	10,000	10,000
Accruals and deferred income	445,151	432,704
Social security and other taxes	118,271	71,799
Derivative financial liability	(345,915)	88,931
	<u>7,120,271</u>	<u>2,375,344</u>

19. Provisions

	Deferred tax (note 20)
	£
At 1 March 2017	(35,194)
Additions	50,153
At 28 February 2018	<u>14,959</u>

Mechatherm International Ltd

Notes to the Financial Statements *(continued)*

Year ended 28 February 2018

20. Deferred tax

The deferred tax included in the statement of financial position is as follows:

	2018 £	2017 £
Included in provisions (note 19)	<u>14,959</u>	<u>(35,194)</u>

The deferred tax account consists of the tax effect of timing differences in respect of:

	2018 £	2017 £
Accelerated capital allowances	<u>14,959</u>	<u>(35,194)</u>

21. Employee benefits

Defined contribution plans

The amount recognised in profit or loss as an expense in relation to defined contribution plans was £136,907 (2017: £116,459).

Mechatherm International Ltd

Notes to the Financial Statements *(continued)*

Year ended 28 February 2018

22. Financial instruments

Financial Instruments

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

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the profit and loss account.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discounted rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate, which is an approximation of the amount that the company would receive for the asset if it were to be sold at the reporting date.

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is an 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.

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. Change in the fair value of derivatives are recognised in profit or loss in finance costs or income as appropriate. The company does not currently apply hedge accounting for interest rate and foreign exchange derivatives.

23. Called up share capital

Issued, called up and fully paid

	2018		2017	
	No	£	No	£
Ordinary shares of £1 each	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>

Mechatherm International Ltd

Notes to the Financial Statements *(continued)*

Year ended 28 February 2018

24. Reserves

Called up share capital - This reserve represents the nominal value of shares that have been issued.

Profit and loss account - This reserve includes all current and prior period retained profits and losses.