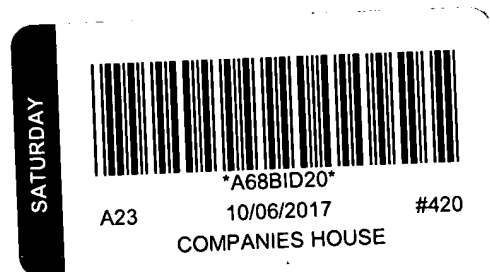


COMPANY REGISTRATION NUMBER: 1112880

**Mechatherm International Ltd**  
**Financial Statements**  
**28 February 2017**



**GARRATTS WOLVERHAMPTON LIMITED**  
Chartered accountant & statutory auditor  
29 Waterloo Road  
Wolverhampton  
WV1 4DJ

# **Mechatherm International Ltd**

## **Financial Statements**

**Year ended 28 February 2017**

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# Mechatherm International Ltd

## Officers and Professional Advisers

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**The board of directors**

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

**Registered office**

Hampshire House  
High Street  
Kingswinford  
West Midlands  
DY6 8AW

**Auditor**

Garratts Wolverhampton Limited  
Chartered accountant & statutory auditor  
29 Waterloo Road  
Wolverhampton  
WV1 4DJ

**Bankers**

Barclays Bank PLC  
Snow Hill Queensway  
Birmingham  
B3 2WN

National Bank of Egypt UK Limited  
Trafalgar House  
11 Waterloo Place  
London  
SW1Y 4AU

# Mechatherm International Ltd

## Strategic Report

Year ended 28 February 2017

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The strategic report:

### Business review

The continued low price of aluminium at the start of the year led to another tough trading year for Mechatherm. As the price has recovered our order levels have returned to pre-recession levels and so turnover will increase significantly during the next financial year. Our ability to retain core staff through the recession is now paying off as our work levels improve. The challenge is to recruit the skilled personnel required to operate at the new higher levels of turnover.

### Financial Key Performance Indicators

Management monitor the business using the following Key Performance Indicators.

#### Key Performance Indicator

	2017	2016
	£	£
Net cash held	2,198,568	3,741,928
Equity shareholders funds	1,787,613	1,737,652

#### Notes to key performance indicators

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

Equity shareholder funds - Management look 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 8 June 2017 and signed on behalf of the board by:



Mr A R Burrows  
Director

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

# Mechatherm International Ltd

## Directors' Report

Year ended 28 February 2017

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The directors present their report and the financial statements of the company for the year ended 28 February 2017.

### 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 11 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 judgments 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 2017

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This report was approved by the board of directors on 8 June 2017 and signed on behalf of the board by:



Mr A R Burrows  
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 2017**

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We have audited the financial statements of Mechatherm International Ltd for the year ended 28 February 2017 which comprise the statement of income and retained earnings, statement of financial position, statement of cash flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the 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 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 strategic report and the directors' 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.

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 28 February 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **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 year for which the financial statements are prepared is consistent with the financial statements.

# Mechatherm International Ltd

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

Year ended 28 February 2017

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### Matters on which we are required to report by exception

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

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



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

8 June 2017



# Mechatherm International Ltd

## Statement of Income and Retained Earnings

Year ended 28 February 2017

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	Note	2017 £	2016 £
<b>Turnover</b>	<b>4</b>	7,837,756	11,128,212
Cost of sales		<u>6,389,896</u>	<u>8,582,433</u>
<b>Gross profit</b>		1,447,860	2,545,779
Administrative expenses		<u>1,299,138</u>	<u>2,188,827</u>
<b>Operating profit</b>	<b>5</b>	148,722	356,952
Other interest receivable and similar income	<b>8</b>	9,385	13,319
Interest payable and similar expenses	<b>9</b>	<u>72,406</u>	<u>93,220</u>
<b>Profit before taxation</b>		85,701	277,051
Tax on profit	<b>10</b>	<u>(14,260)</u>	<u>58,808</u>
<b>Profit for the financial year and total comprehensive income</b>		<u>99,961</u>	<u>218,243</u>
Dividends paid and payable	<b>11</b>	(50,000)	(175,000)
<b>Retained earnings at the start of the year</b>		<u>1,727,652</u>	<u>1,684,409</u>
<b>Retained earnings at the end of the year</b>		<u>1,777,613</u>	<u>1,727,652</u>

All the activities of the company are from continuing operations.

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The notes on pages 10 to 20 form part of these financial statements.

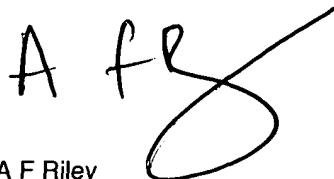
# Mechatherm International Ltd

## Statement of Financial Position

28 February 2017

	Note	2017 £	2016 £
<b>Fixed assets</b>			
Tangible assets	12	45,734	87,377
Investments	13	75	75
		<u>45,809</u>	<u>87,452</u>
<b>Current assets</b>			
Stocks	14	842,352	261,756
Debtors	15	869,411	1,046,432
Cash at bank and in hand		<u>2,198,568</u>	<u>3,741,928</u>
		3,910,331	5,050,116
<b>Creditors: amounts falling due within one year</b>	16	<u>2,203,721</u>	<u>3,436,302</u>
<b>Net current assets</b>		<u>1,706,610</u>	<u>1,613,814</u>
<b>Total assets less current liabilities</b>		<u>1,752,419</u>	<u>1,701,266</u>
<b>Provisions</b>	17	<u>(35,194)</u>	<u>(36,386)</u>
<b>Net assets</b>		<u>1,787,613</u>	<u>1,737,652</u>
<b>Capital and reserves</b>			
Called up share capital	21	10,000	10,000
Profit and loss account	22	<u>1,777,613</u>	<u>1,727,652</u>
<b>Members funds</b>		<u>1,787,613</u>	<u>1,737,652</u>

These financial statements were approved by the board of directors and authorised for issue on 8 June 2017, and are signed on behalf of the board by:



Mr A F Riley  
Director

Company registration number: 1112880

The notes on pages 10 to 20 form part of these financial statements.

# Mechatherm International Ltd

## Statement of Cash Flows

Year ended 28 February 2017

	2017 £	2016 £
<b>Cash flows from operating activities</b>		
Profit for the financial year	99,961	218,243
<i>Adjustments for:</i>		
Depreciation of tangible assets	52,417	76,713
Other interest receivable and similar income	(9,385)	(13,319)
Loss on disposal of tangible assets	–	3,667
Tax on profit	(14,260)	58,808
Accrued income	(307,748)	(177,805)
<i>Changes in:</i>		
Stocks	(580,596)	479,096
Trade and other debtors	177,021	286,881
Trade and other creditors	(850,050)	(839,443)
Cash generated from operations	(1,432,640)	92,841
FRS102 fair value adjustment	(72,406)	(93,220)
Interest received	9,385	13,319
Tax paid	(59,331)	(116,801)
Net cash used in operating activities	<u>(1,554,992)</u>	<u>(103,861)</u>
<b>Cash flows from investing activities</b>		
Purchase of tangible assets	(10,773)	(26,046)
Proceeds from sale of tangible assets	(1)	–
Acquisition of subsidiaries	–	(75)
Purchase of futures contracts, forward contracts, option contracts and swap contracts	72,406	93,220
Net cash from investing activities	<u>61,632</u>	<u>67,099</u>
<b>Cash flows from financing activities</b>		
Dividends paid	(50,000)	(175,000)
Net cash used in financing activities	<u>(50,000)</u>	<u>(175,000)</u>
<b>Net decrease in cash and cash equivalents</b>	<b>(1,543,360)</b>	<b>(211,762)</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>3,741,928</b>	<b>3,953,690</b>
<b>Cash and cash equivalents at end of year</b>	<b><u>2,198,568</u></b>	<b><u>3,741,928</u></b>

The notes on pages 10 to 20 form part of these financial statements.

# Mechatherm International Ltd

## Notes to the Financial Statements

Year ended 28 February 2017

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### 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.

# Mechatherm International Ltd

## Notes to the Financial Statements *(continued)*

### Year ended 28 February 2017

---

#### 3. Accounting policies *(continued)*

##### Income tax *(continued)*

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.

##### 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.

##### Investments in associates

Investments in associates accounted for in accordance with the cost model are recorded at cost less any accumulated impairment losses.

# Mechatherm International Ltd

## Notes to the Financial Statements *(continued)*

### Year ended 28 February 2017

---

#### 3. Accounting policies *(continued)*

##### **Investments in associates *(continued)***

Investments in associates accounted for in accordance with the fair value model are initially recorded at the transaction price. At each reporting date, the investments are measured at fair value, with changes in fair value recognised in other comprehensive income/profit or loss. Where it is impracticable to measure fair value reliably without undue cost or effort, the cost model will be adopted.

Dividends and other distributions received from the investment are recognised as income without regard to whether the distributions are from accumulated profits of the associate arising before or after the date of acquisition.

##### **Investments in joint ventures**

Investments in jointly controlled entities accounted for in accordance with the cost model are recorded at cost less any accumulated impairment losses.

Investments in jointly controlled entities accounted for in accordance with the fair value model are initially recorded at the transaction price. At each reporting date, the investments are measured at fair value, with changes in fair value recognised in other comprehensive income/profit or loss. Where it is impracticable to measure fair value reliably without undue cost or effort, the cost model will be adopted.

Dividends and other distributions received from the investment are recognised as income without regard to whether the distributions are from accumulated profits of the joint venture arising before or after the date of acquisition.

##### **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.

# Mechatherm International Ltd

## Notes to the Financial Statements *(continued)*

### Year ended 28 February 2017

---

#### 3. Accounting policies *(continued)*

##### 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.

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.

# Mechatherm International Ltd

## Notes to the Financial Statements *(continued)*

Year ended 28 February 2017

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### 4. Turnover

Turnover arises from:

	2017 £	2016 £
Sale of goods	7,837,756	11,218,212

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:

	2017 £	2016 £
United Kingdom	2,971,391	2,110,062
Overseas	4,866,365	9,018,150
	<u>7,837,756</u>	<u>11,128,212</u>

### 5. Operating profit

Operating profit or loss is stated after charging:

	2017 £	2016 £
Depreciation of tangible assets	52,417	76,713
Loss on disposal of tangible assets	–	3,667
Foreign exchange differences	(99,488)	13,906

### 6. Staff costs

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

	2017 No	2016 No
Production staff	25	27
Distribution staff	6	7
Administrative staff	14	19
	<u>45</u>	<u>53</u>

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

	2017 £	2016 £
Wages and salaries	1,632,856	2,200,642
Social security costs	177,936	208,070
Other pension costs	126,041	118,938
	<u>1,936,833</u>	<u>2,527,650</u>



# Mechatherm International Ltd

## Notes to the Financial Statements *(continued)*

Year ended 28 February 2017

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### 7. Directors' remuneration

The directors aggregate remuneration in respect of qualifying services was:

	2017	2016
	£	£
Remuneration	343,690	618,803
Company contributions to defined contribution pension plans	9,582	17,511
	<u>353,272</u>	<u>636,314</u>

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

	2017	2016
	£	£
Aggregate remuneration	<u>152,058</u>	<u>161,661</u>

### 8. Other interest receivable and similar income

	2017	2016
	£	£
Interest on cash and cash equivalents	<u>9,385</u>	<u>13,319</u>

### 9. Interest payable and similar expenses

	2017	2016
	£	£
Loss on fair value adjustment of financial assets at fair value through profit or loss	<u>72,406</u>	<u>93,220</u>

### 10. Tax on profit

#### Major components of tax (income)/expense

	2017	2016
	£	£
<b>Current tax:</b>		
UK current tax (income)/expense	(15,452)	88,194
<b>Deferred tax:</b>		
Origination and reversal of timing differences	<u>1,192</u>	<u>(29,386)</u>
<b>Tax on profit</b>	<u>(14,260)</u>	<u>58,808</u>

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# Mechatherm International Ltd

## Notes to the Financial Statements (continued)

### Year ended 28 February 2017

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#### 10. Tax on profit (continued)

##### Reconciliation of tax (income)/expense

The tax assessed on the profit on ordinary activities for the year is lower than (2016: higher than) the standard rate of corporation tax in the UK of 20% (2016: 20%).

	2017 £	2016 £
Profit on ordinary activities before taxation	85,701	277,051
Profit on ordinary activities by rate of tax	17,140	55,645
Adjustment to tax charge in respect of prior periods	(54,394)	12,434
Effect of expenses not deductible for tax purposes	1,108	1,953
Effect of capital allowances and depreciation	6,213	–
Effect of revenue exempt from tax	–	(15,404)
Deferred taxes and Marginal relief	1,192	4,180
Other tax adjustment to increase/(decrease) tax liability	14,481	–
Tax on profit	<u>(14,260)</u>	<u>58,808</u>

#### 11. Dividends

	2017 £	2016 £
Dividends paid during the year (excluding those for which a liability existed at the end of the prior year )	<u>50,000</u>	<u>175,000</u>

#### 12. Tangible assets

	Fixtures and fittings £	Equipment £	Total £
<b>Cost</b>			
At 1 March 2016	152,231	503,733	655,964
Additions	358	10,415	10,773
Disposals	(113,742)	(303,724)	(417,466)
<b>At 28 February 2017</b>	<u>38,847</u>	<u>210,424</u>	<u>249,271</u>
<b>Depreciation</b>			
At 1 March 2016	142,216	426,371	568,587
Charge for the year	3,175	49,242	52,417
Disposals	(113,742)	(303,725)	(417,467)
<b>At 28 February 2017</b>	<u>31,649</u>	<u>171,888</u>	<u>203,537</u>
<b>Carrying amount</b>			
<b>At 28 February 2017</b>	<u>7,198</u>	<u>38,536</u>	<u>45,734</u>
At 29 February 2016	<u>10,015</u>	<u>77,362</u>	<u>87,377</u>

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# Mechatherm International Ltd

## Notes to the Financial Statements *(continued)*

Year ended 28 February 2017

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### 13. Investments

	Shares in group undertakings £
<b>Cost</b>	
At 1 Mar 2016 and 28 Feb 2017	<u>75</u>
<b>Impairment</b>	
At 1 Mar 2016 and 28 Feb 2017	<u>–</u>
<b>Carrying amount</b>	
At 28 February 2017	<u>75</u>

### 14. Stocks

	2017 £	2016 £
Work in progress	<u>842,352</u>	<u>261,756</u>

### 15. Debtors

	2017 £	2016 £
Trade debtors	684,985	894,358
Prepayments and accrued income	156,233	107,557
Corporation tax repayable	28,193	–
Other debtors	–	44,517
	<u>869,411</u>	<u>1,046,432</u>

### 16. Creditors: amounts falling due within one year

	2017 £	2016 £
Payments received on account	203,948	966,407
Trade creditors	1,396,339	1,562,782
Amounts owed to group undertakings	10,000	10,000
Accruals and deferred income	432,704	740,452
Corporation tax	–	74,783
Social security and other taxes	71,799	65,353
Derivative financial liability	88,931	16,525
	<u>2,203,721</u>	<u>3,436,302</u>

# Mechatherm International Ltd

## Notes to the Financial Statements *(continued)*

Year ended 28 February 2017

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### 17. Provisions

	Deferred tax (note 18) £
At 1 March 2016	(36,386)
Additions	<u>1,192</u>
<b>At 28 February 2017</b>	<b><u>(35,194)</u></b>

### 18. Deferred tax

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

	2017 £	2016 £
Included in provisions (note 17)	<u>(35,194)</u>	<u>(36,386)</u>

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

	2017 £	2016 £
Accelerated capital allowances	<u>(35,194)</u>	<u>(36,386)</u>

### 19. Employee benefits

#### Defined contribution plans

The amount recognised in profit or loss as an expense in relation to defined contribution plans was £126,041 (2016: £118,938).

# Mechatherm International Ltd

## Notes to the Financial Statements *(continued)*

### Year ended 28 February 2017

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#### 20. Financial instruments

##### Financial Instruments

The company only enters into basic financial instruments that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable, loans and from banks and other third parties.

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.

#### 21. Called up share capital

##### Issued, called up and fully paid

	2017		2016	
	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 2017

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### 22. Reserves

Description of reserves within equity:

Share option reserve - This reserve records the value received in relation to the issue of share options. Profit and loss account - This reserve records retained earnings and accumulated losses.