

Company Registration No. 00572373 (England and Wales)

MARLA TUBE FITTINGS LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2016



MARLA TUBE FITTINGS LIMITED

COMPANY INFORMATION

Directors	Mr S J Preedy Mr D J Marsh Mr S R Faulkner Mr L C Barnes
Secretary	Mr J R Preedy
Company number	00572373
Registered office	Kinwarton Farm Road Arden Forest Industrial Estate Alcester Warwickshire B49 6EN
Auditor	Shaw Gibbs Limited 264 Banbury Road Oxford OX2 7DY
Business address	Kinwarton Farm Road Arden Forest Industrial Estate Alcester Warwickshire B49 6EN
Bankers	Barclays Bank Plc PO Box 3333 One Snow Hill Snow Hill Queenway Birmingham B3 2WN
Solicitors	Wragge Lawrence Graham & Co 55 Colmore Row Birmingham B3 2AS

MARLA TUBE FITTINGS LIMITED

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MARLA TUBE FITTINGS LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 OCTOBER 2016

The directors present the strategic report for the year ended 31 October 2016.

Fair review of the business

During the year turnover has reduced from £55m to £41m, a reduction of 25%. The reduction is attributable to fluctuations in the level of activity in international petrochemical projects.

At the same time, due to general price and currency fluctuations gross margin has increased from 22.7% to 26.3%.

Overall, the company has achieved a profit of £3.1m compared to £4.7m in the previous year.

In 2017, the company has continued to trade profitably.

The directors believe that the company's strong liquidity will enable it to take advantage of trading opportunities as the market improves and as the company continues to look for growth opportunities, both organic and by acquisition of suitable target companies. The policy of maintaining strong liquidity has also enabled the company to participate in a number of global contracts with major multinationals, which has resulted in significant export sales, which would not otherwise have been achieved. It has also enabled the company to continue its policy of continual investment in fixed assets and stock ranges.

The management of the business and the execution of the company's strategy are subject to a number of key risks. The key business risks and uncertainties affecting the company are considered to relate to the strong competition within the field, resulting in pressure on margins. Risks are reviewed by the directors and appropriate processes are put in place to monitor and mitigate them.

Given the straightforward nature of the business, the directors are of the opinion that analysis using KPI's is not necessary for an understanding of the development, performance or position of the business. The company's activities are closely monitored by the directors with the assistance of monthly internal management accounts and supporting reports.

On behalf of the board



Mr L C Barnes

Director

21 July 2017

MARLA TUBE FITTINGS LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 OCTOBER 2016

The directors present their annual report and financial statements for the year ended 31 October 2016.

Principal activities

The principal activity of the company continued to be that of manufacturing, processing and factoring tube fittings.

Directors

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

Mr S J Preedy
Mr D J Marsh
Mr S R Faulkner
Mr L C Barnes

Results and dividends

The results for the year are set out on page 6.

During the year dividends have been paid amounting to £2,000,000 (2015 £1,002,046).

Market value of land and buildings

In the opinion of the directors there is no significant difference between the present market value of the group's properties and the amounts at which they are stated in the accounts.

Auditor

In accordance with the company's articles, a resolution proposing that Shaw Gibbs Limited be reappointed as auditor of the company 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 company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements 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 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.

MARLA TUBE FITTINGS LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2016

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 company's auditor 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 company's auditor is aware of that information.

On behalf of the board



Mr L C Barnes

Director

21 July 2017

MARLA TUBE FITTINGS LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF MARLA TUBE FITTINGS LIMITED

We have audited the financial statements of Marla Tube Fittings Limited for the year ended 31 October 2016 set out on pages 6 to 25. 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 set out on pages 2 - 3, 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 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.

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 31 October 2016 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.

MARLA TUBE FITTINGS LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF MARLA TUBE FITTINGS LIMITED

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.



Mr Stephen Howard Neal (Senior Statutory Auditor)
for and on behalf of Shaw Gibbs Limited

Chartered Certified Accountants
Statutory Auditor

25 July 2017

264 Banbury Road
Oxford
OX2 7DY

MARLA TUBE FITTINGS LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 OCTOBER 2016

	Notes	2016 £	2015 £
Turnover	3	40,508,406	54,509,034
Cost of sales		(29,839,788)	(42,151,931)
Gross profit		10,668,618	12,357,103
Administrative expenses		(7,735,294)	(7,808,568)
Operating profit	4	2,933,324	4,548,535
Interest receivable and similar income	7	70,443	547,259
Interest payable and similar charges	8	(793)	(723)
Amounts written back (written off) investments	9	78,407	(403,321)
Profit before taxation		3,081,381	4,691,750
Taxation	10	(732,208)	(1,043,656)
Profit for the financial year		2,349,173	3,648,094

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

MARLA TUBE FITTINGS LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 OCTOBER 2016

	2016 £	2015 £
Profit for the year	2,349,173	3,648,094
Other comprehensive income	-	-
Total comprehensive income for the year	<u>2,349,173</u>	<u>3,648,094</u>


MARLA TUBE FITTINGS LIMITED

BALANCE SHEET

AS AT 31 OCTOBER 2016

	Notes	2016		2015	
		£	£	£	£
Fixed assets					
Tangible assets	12	5,634,184		6,157,875	
Investments	13	1,869		1,869	
		<u>5,636,053</u>		<u>6,159,744</u>	
Current assets					
Stocks	16	8,691,335	13,007,257		
Debtors	17	28,116,098	31,569,178		
Cash at bank and in hand		23,406,641	24,371,992		
		<u>60,214,074</u>	<u>68,948,427</u>		
Creditors: amounts falling due within one year	18	(3,403,084)	(13,007,932)		
Net current assets		<u>56,810,990</u>		<u>55,940,495</u>	
Total assets less current liabilities		<u>62,447,043</u>		<u>62,100,239</u>	
Provisions for liabilities	19	-		(2,369)	
Net assets		<u>62,447,043</u>		<u>62,097,870</u>	
Capital and reserves					
Called up share capital	22	108,918	108,918		
Share premium account		288,070	288,070		
Capital redemption reserve		4,682	4,682		
Profit and loss reserves		62,045,373	61,696,200		
Total equity		<u>62,447,043</u>		<u>62,097,870</u>	

The financial statements were approved by the board of directors and authorised for issue on 21 July 2017 and are signed on its behalf by:


Mr L C Barnes
Director

Company Registration No. 00572373

MARLA TUBE FITTINGS LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 OCTOBER 2016

	Notes	Share capital £	Share premium account £	Capital redemption reserve £	Profit and loss reserves £	Total £
Balance at 1 November 2014		109,055	288,070	4,545	59,059,152	59,460,822
Year ended 31 October 2015:						
Profit and total comprehensive income for the year		-	-	-	3,648,094	3,648,094
Dividends	11	-	-	-	(1,002,046)	(1,002,046)
Redemption of shares		(137)	-	137	(9,000)	(9,000)
Balance at 31 October 2015		108,918	288,070	4,682	61,696,200	62,097,870
Year ended 31 October 2016:						
Profit and total comprehensive income for the year		-	-	-	2,349,173	2,349,173
Dividends	11	-	-	-	(2,000,000)	(2,000,000)
Balance at 31 October 2016		108,918	288,070	4,682	62,045,373	62,447,043

MARLA TUBE FITTINGS LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 OCTOBER 2016

	Notes	2016 £	£	2015 £	£
Cash flows from operating activities					
Cash generated from operations	27	2,057,724		6,246,762	
Interest paid		(793)		(723)	
Income taxes paid		(1,039,295)		(729,087)	
Net cash inflow from operating activities		1,017,636		5,516,952	
Investing activities					
Purchase of tangible fixed assets		(53,430)		(806,413)	
Interest received		70,443		56,995	
Dividends received		-		490,264	
Net cash generated from/(used in) investing activities		17,013		(259,154)	
Financing activities					
Dividends paid		(2,000,000)		(1,002,046)	
Net cash used in financing activities		(2,000,000)		(1,002,046)	
Net (decrease)/increase in cash and cash equivalents		(965,351)		4,255,752	
Cash and cash equivalents at beginning of year		24,371,992		20,116,240	
Cash and cash equivalents at end of year		23,406,641		24,371,992	

MARLA TUBE FITTINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 OCTOBER 2016

1 Accounting policies

Company information

Marla Tube Fittings Limited is a private company limited by shares incorporated in England and Wales. The registered office is Kinwarton Farm Road, Arden Forest Industrial Estate, Alcester, Warwickshire, B49 6EN.

1.1 Accounting convention

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.

These financial statements for the year ended 31 October 2016 are the first financial statements of Marla Tube Fittings Limited prepared in accordance with FRS 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland. The date of transition to FRS 102 was 1 November 2014. The reported financial position and financial performance for the previous period are not affected by the transition to FRS 102.

1.2 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.

1.3 Turnover

Turnover represents amounts receivable for goods and services net of VAT and trade discounts. Sales are recognised on despatch.

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.

1.4 Tangible fixed assets

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

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Land and buildings Freehold	2% straight line
Land and buildings Leasehold	straight line over the term of the lease
Plant and machinery	15% reducing balance/25-33 1/3% straight line

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

MARLA TUBE FITTINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2016

1 Accounting policies

(Continued)

1.5 Fixed asset investments

Interests in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

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

1.6 Impairment of fixed assets

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

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

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

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

1.7 Stocks

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

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

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

1.8 Cash and cash equivalents

Cash and cash equivalents 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.

MARLA TUBE FITTINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2016

1 Accounting policies

(Continued)

1.9 Financial instruments

The company 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 company's balance sheet when the company becomes party to the contractual provisions of the instrument.

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

Basic financial assets

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

Other financial assets

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

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

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

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company 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 company after deducting all of its liabilities.

MARLA TUBE FITTINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2016

1 Accounting policies

(Continued)

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. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Derecognition of financial liabilities

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

1.10 Equity instruments

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

1.11 Taxation

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

Current tax

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

Deferred tax

Deferred taxation is provided on income and expenditure dealt with for taxation purposes in periods different from those for accounts purposes to the extent that the reduction in the tax charge cannot be expected with reasonable probability to continue for the foreseeable future. The provision is computed under the liability method and is stated at the rate of corporation tax expected to apply when the tax becomes payable.

MARLA TUBE FITTINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 OCTOBER 2016

1 Accounting policies

(Continued)

1.12 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.

1.13 Retirement benefits

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

1.14 Leases

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.

1.15 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.

MARLA TUBE FITTINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 OCTOBER 2016

2 Judgements and key sources of estimation uncertainty

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised 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.

Stock

Inventories are valued at the lower cost and net realisable value. Net realisable value includes, where necessary, provisions for slow moving and obsolete stocks. Calculation of these provisions requires judgements to be made, which include forecast consumer demand, the promotional, competitive and economic environment and inventory loss trends.

Bad Debt Provision

A bad debt provision is set up when the likelihood of recovering the debt is diminished. The level of provision will be based on any current repayment plan entered into and which is being adhered to by the debtor, together with an estimate of the likelihood of the amounts due being fully recovered.

Useful economic lives of non-current assets

The useful economic lives of non-current assets have been derived from the judgement of the Directors, using their best estimate of write-down period.

3 Turnover and other revenue

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

	2016	2015
	£	£
Turnover		
Sale of goods and services	40,508,406	54,509,034
	<u> </u>	<u> </u>
Other significant revenue		
Interest income	70,443	56,995
Dividends received	-	490,264
	<u> </u>	<u> </u>

MARLA TUBE FITTINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 OCTOBER 2016

3 Turnover and other revenue (Continued)

Turnover analysed by geographical market

	2016 £	2015 £
United Kingdom	15,411,490	18,907,261
Other	25,096,916	35,601,773
	<u>40,508,406</u>	<u>54,509,034</u>

4 Operating profit

	2016 £	2015 £
Operating profit for the year is stated after charging/(crediting):		
Exchange gains	(913,566)	(165,035)
Fees payable to the company's auditor for the audit of the company's financial statements	42,000	40,900
Depreciation of owned tangible fixed assets	577,121	669,089
Cost of stocks recognised as an expense	28,862,407	41,697,089
Operating lease charges	214,500	214,500
	<u>28,184,568</u>	<u>42,456,503</u>

5 Employees

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

	2016 Number	2015 Number
Sales	28	28
Administration	34	36
Works	29	31
	<u>91</u>	<u>95</u>

Their aggregate remuneration comprised:

	2016 £	2015 £
Wages and salaries	4,153,487	4,334,545
Social security costs	477,696	497,647
Pension costs	32,621	39,993
	<u>4,663,804</u>	<u>4,872,185</u>

MARLA TUBE FITTINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2016

6 Directors' remuneration	2016 £	2015 £
Remuneration for qualifying services	635,138	632,712
Company pension contributions to defined contribution schemes	7,500	7,500
	<u>642,638</u>	<u>640,212</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 2 (2015 - 2).

Remuneration disclosed above include the following amounts paid to the highest paid director:

	2016 £	2015 £
Remuneration for qualifying services	394,957	392,201
Company pension contributions to defined contribution schemes	7,500	7,500
	<u>394,957</u>	<u>392,201</u>

7 Interest receivable and similar income	2016 £	2015 £
Interest income		
Interest on bank deposits	70,443	56,995
Income from fixed asset investments		
Income from shares in group undertakings	-	490,264
Total income	<u>70,443</u>	<u>547,259</u>

Investment income includes the following:

Interest on financial assets not measured at fair value through profit or loss	<u>70,443</u>	<u>56,995</u>
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8 Interest payable and similar charges	2016 £	2015 £
Interest on financial liabilities measured at amortised cost:		
Interest on bank overdrafts and loans	<u>793</u>	<u>723</u>

MARLA TUBE FITTINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 OCTOBER 2016

9	Amounts written off investments	2016	2015
		£	£
	Other gains and losses	78,407	(403,321)
		<u>78,407</u>	<u>(403,321)</u>
10	Taxation	2016	2015
		£	£
	Current tax		
	UK corporation tax on profits for the current period	734,577	1,043,656
		<u>734,577</u>	<u>1,043,656</u>
	Deferred tax		
	Origination and reversal of timing differences	(2,369)	-
		<u>(2,369)</u>	<u>-</u>
	Total tax charge	<u>732,208</u>	<u>1,043,656</u>
	The actual charge for the year can be reconciled to the expected charge for the year based on the profit or loss and the standard rate of tax as follows:		
		2016	2015
		£	£
	Profit before taxation	3,081,381	4,691,750
		<u>3,081,381</u>	<u>4,691,750</u>
	Expected tax charge based on the standard rate of corporation tax in the UK of 20.00% (2015: 20.41%)	616,276	957,586
	Tax effect of expenses that are not deductible in determining taxable profit	48,267	59,878
	Change in unrecognised deferred tax assets	41,707	-
	Other permanent differences	-	188
	Depreciation on assets not qualifying for capital allowances	25,958	26,004
		<u>732,208</u>	<u>1,043,656</u>
	Taxation charge for the year	<u>732,208</u>	<u>1,043,656</u>
11	Dividends	2016	2015
		£	£
	Final paid	2,000,000	1,002,046
		<u>2,000,000</u>	<u>1,002,046</u>

MARLA TUBE FITTINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2016

12 Tangible fixed assets

	Land and buildings Freehold £	Land and buildings Leasehold £	Plant and machinery £	Total £
Cost				
At 1 November 2015	6,179,044	542,691	2,271,467	8,993,202
Additions	-	-	53,430	53,430
Disposals	-	-	(248,744)	(248,744)
At 31 October 2016	6,179,044	542,691	2,076,153	8,797,888
Depreciation and impairment				
At 1 November 2015	1,319,691	219,874	1,295,762	2,835,327
Depreciation charged in the year	114,828	14,962	447,331	577,121
Eliminated in respect of disposals	-	-	(248,744)	(248,744)
At 31 October 2016	1,434,519	234,836	1,494,349	3,163,704
Carrying amount				
At 31 October 2016	4,744,525	307,855	581,804	5,634,184
At 31 October 2015	4,859,353	322,817	975,705	6,157,875

Freehold land and buildings includes £381,581 (2015 £381,581) in respect of land and buildings on which no depreciation is provided.

13 Fixed asset investments

	Notes	2016 £	2015 £
Investments in subsidiaries	14	1,869	1,869

Movements in fixed asset investments

	Shares in group undertakings £
Cost or valuation	
At 1 November 2015 & 31 October 2016	1,869
Carrying amount	
At 31 October 2016	1,869
At 31 October 2015	1,869

MARLA TUBE FITTINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 OCTOBER 2016

14 Subsidiaries

Details of the company's subsidiaries¹ at 31 October 2016 are as follows:

Name of undertaking	Country of incorporation	Nature of business	Class of shares held	% Held	
				Direct	Indirect
Redditch Fittings and Flanges Limited	England & Wales	Dormant	Ordinary	100.00	
Pressure Fittings Limited	England & Wales	Dormant	Ordinary	100.00	
Heavywall Fittings Limited	England & Wales	Dormant	Ordinary	100.00	
Marla (Alcester) Limited	England & Wales	Dormant	Ordinary	100.00	

The aggregate capital and reserves and the result for the year of the subsidiaries noted above was as follows:

Name of undertaking	Profit/(Loss)	Capital and Reserves
	£	£
Redditch Fittings and Flanges Limited	-	100
Pressure Fittings Limited	-	100
Heavywall Fittings Limited	-	100
Marla (Alcester) Limited	-	670

15 Financial instruments

	2016 £	2015 £
Carrying amount of financial assets		
Debt instruments measured at amortised cost	28,116,098	31,569,178
Carrying amount of financial liabilities		
Measured at amortised cost	2,441,997	11,949,928

16 Stocks

	2016 £	2015 £
Raw materials and consumables	8,691,335	13,007,257

MARLA TUBE FITTINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 OCTOBER 2016

17 Debtors

	2016	2015
	£	£
Amounts falling due within one year:		
Trade debtors	5,305,132	16,891,612
Amounts due from group undertakings	22,632,559	14,677,566
Other debtors	178,407	-
	<u>28,116,098</u>	<u>31,569,178</u>

18 Creditors: amounts falling due within one year

	2016	2015
	£	£
Trade creditors	2,275,994	11,921,925
Amounts due to group undertakings	138,000	-
Corporation tax	269,577	574,295
Other taxation and social security	691,510	483,709
Other creditors	28,003	28,003
	<u>3,403,084</u>	<u>13,007,932</u>

19 Provisions for liabilities

	Notes	2016	2015
		£	£
Deferred tax liabilities	20	-	2,369
		<u>-</u>	<u>2,369</u>

20 Deferred taxation

Deferred tax assets and liabilities are offset where the company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	Liabilities	Liabilities
	2016	2015
	£	£
Balances:		
Accelerated capital allowances	-	2,369
	<u>-</u>	<u>2,369</u>

MARLA TUBE FITTINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 OCTOBER 2016

20	Deferred taxation	(Continued)	
		2016	
	Movements in the year:	£	
	Liability at 1 November 2015	2,369	
	Credit to profit or loss	(2,369)	
	Liability at 31 October 2016	<u>-</u>	

21	Retirement benefit schemes	2016	2015
		£	£
	Defined contribution schemes		
	Charge to profit or loss in respect of defined contribution schemes	32,621	39,993
		<u>32,621</u>	<u>39,993</u>

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

22	Share capital	2016	2015
		£	£
	Ordinary share capital		
	Issued and fully paid		
	108,918 Ordinary shares of £1 each	108,918	108,918
		<u>108,918</u>	<u>108,918</u>

23 Operating lease commitments

Lessee

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

	2016	2015
	£	£
Within one year	214,500	214,500
Between two and five years	789,000	823,500
In over five years	180,000	360,000
	<u>1,183,500</u>	<u>1,398,000</u>

24 Events after the reporting date

On 19 April 2017, the company declared a dividend of £10,000,000.

MARLA TUBE FITTINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2016

25 Related party transactions

Remuneration of key management personnel

The remuneration of key management personnel is as follows.

	2016 £	2015 £
Aggregate compensation	642,638	640,212

Transactions with related parties

During the year, the company paid consultancy fees of £69,166 (2015 £51,594) to CK, a firm of Chartered Accountants, a business in which L C Barnes (a director of the company) is a partner.

Related party transactions with other group companies have not been disclosed as per FRS102 Section 33.1A.

No guarantees have been given or received.

26 Controlling party

The ultimate parent company is MTF Holding Limited, a company registered in England and Wales. Group financial statements have not been prepared by the parent company that includes this accounting period as there is no requirement to do so in the first year of application of FRS102.

The ultimate controlling party is S J Preedy a director of the company.

MARLA TUBE FITTINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 OCTOBER 2016

27 Cash generated from operations	2016 £	2015 £
Profit for the year after tax	2,349,173	3,648,230
Adjustments for:		
Taxation charged	732,208	1,043,656
Finance costs	793	723
Investment income	(70,443)	(547,259)
Depreciation and impairment of tangible fixed assets	577,121	669,089
Amounts written off investments	(78,407)	403,321
Movements in working capital:		
Decrease in stocks	4,315,922	1,083,033
Decrease/(increase) in debtors	3,531,487	(3,948,305)
(Decrease)/increase in creditors	(9,300,130)	3,894,274
Cash generated from operations	<u>2,057,724</u>	<u>6,246,762</u>