Financial Statements Mechatherm International Limited

For the Year Ended 29 February 2016

Registered number: 1112880

Company Information

Directors	A F Riley- Chairman C B Emes - Non-executive director L F Riley (resigned 2 October 2015) J A Gardner (deceased 4 March 2016) A R Burrows N C Walker
Registered number	1112880
Registered office	Hampshire House High Street Kingswinford West Midlands DY6 8AW
Independent auditor	Grant Thornton UK LLP Chartered Accountants & Statutory Auditor Colmore Plaza 20 Colmore Circus Birmingham West Midlands B4 6AT
Bankers	Barclays Bank PLC P O Box 3333 One Snowhill Snowhill Queensway Birmingham B3 2WN
	National Bank of Egypt UK Limited Trafalgar House 11 Waterloo Place London SW1Y 4AU

Mechatherm International Limited
Registered number:1112880

Contents

Strategic Report
For the Year Ended 29 February 2016

Introduction

The directors present their Strategic report for the year ended 29 February 2016.

Business review

The last financial year has been very challenging due to the downturn in the world wide metals industries. This has forced us to downsize to survive at lower order levels. This process has been carried out successfully enabling us to continue to declare a profit, pay dividends and have a viable ongoing business. At the same time we have kept all of our core skills, successfully commissioned our internal management software, started new business ventures that have already obtained profitable orders and launched new products and also retained a similar amount of cash within the company.

Financial key performance indicators

Management monitor the business using the following Key Performance Indicators.

Key performance indicator	2016 £	2015 £
Net cash held	3,741,928	3,953,690
Equity Shareholders Funds	1,737,652	1,694,409

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 Shareholders 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 on 23 September 2016 and signed on its behalf.

AR Burrows

A R Burrows
Secretary

Directors' Report
For the Year Ended 29 February 2016

The directors present their report and the financial statements for the year ended 29 February 2016.

Directors' responsibilities statement

The directors are responsible for preparing the Strategic report, the 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. 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 for the Company financial statements and then apply them consistently;
- make judgments 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; and
- 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.

Dividends

The profit for the year, after taxation, amounted to £218,243 (2015 - £256,702)

The shareholders declared and paid a dividend of £175,000 during the year (2015: £350,000).

Directors' Report
For the Year Ended 29 February 2016

Financial risk management

Summary
The company is exposed to the performance of individual and significant sales contracts. This risk is mitigated by an effective tendering process, and the close and effective management control and monitoring of those contracts.

The Company's operations expose it to a variety of financial risks including the effects of changes in interest rates, foreign currency exchange rates, commodity price risk, credit risk and liquidity risk.

The Company's principal financial instruments comprise sterling cash, bank deposits and hypothecated bank accounts (note 22), together with trade debtors and trade creditors that arise directly from its operations.

Foreign Currency Risk
The Company is exposed in its trading operations to the risk of changes in foreign currency exchange rates. The Company uses a combination of exchange risk offsetting products to cover this including forward exchange contracts. The company does not trade in any exchange risk hedging products.

Commodity Price Risk
The Company's business may be affected by fluctuations in the price and supply of key raw materials, although purchasing policies and practices seek to mitigate, where practicable, such risks.

Credit Risk
Trade debtors and amounts recoverable on contracts represent the Company's maximum exposure to credit risk in relation to financial assets.

Credit risk is managed by monitoring the aggregate amount and duration of exposure to any one customer depending on their credit rating. The amounts presented in the balance sheet are net of allowances for doubtful debts, estimated by the Company's management based on prior experience and their assessment of the current economic environment.

The credit risk of liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies. The Company has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers. A view is taken on each client and the risk managed accordingly using a variety of methods including insurance.

Liquidity Risk
Due to the nature of the Company's business, cash funds are held to support Bank Guarantee facilities provided by the Company's bankers. The Directors constantly monitor the Company's liquidity and bank guarantee arrangements and believe the Company has sufficient funding available to fund its operations for the foreseeable future. No borrowings exist at the year end.

Cash Flow Interest Rate Risk
Interest bearing assets comprise cash and bank deposits, all of which earn interest at a variable rate. No borrowings exist at the year end and therefore there is limited interest rate risk on financial liabilities.

Directors

The directors who served during the year were:

A F Riley- Chairman
C B Emes - Non-executive director
L F Riley (resigned 2 October 2015)
J A Gardner (deceased 4 March 2016)
A R Burrows
N C Walker

Directors' Report
For the Year Ended 29 February 2016

Those directors serving at the end of the year had interests in the share capital of the company as follows:

	29 February 2016 No	28 February 2015 No
A F Riley	3,500	3,500
C B Emes	4,500	4,500
J A Gardner	500	500
A R Burrows	-	-
N C Walker	-	-

No director had a material interest in any contract or arrangement with the Company during the year.

J A Gardner passed away on 4 March 2016.

Matters covered in the strategic report

The Business review and the Financial key performance indicators are included in the Strategic report.

Disclosure of information to auditor

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Post balance sheet events

There have been no significant events affecting the Company since the year end.

Auditors

The auditor, Grant Thornton UK LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 23 September 2016 and signed on its behalf.

ARBurrows

A R Burrows
Secretary

Grant Thornton

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

We have audited the financial statements of Mechatherm International Limited for the year ended 29 February 2016, which comprise the Statement of comprehensive income, the Statement of financial position, the Statement of changes in equity, the 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 Financial Reporting Standard 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 Financial Reporting Council's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

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 29 February 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 and the directors' report has been prepared in accordance with applicable legal requirements.

GrantThornton

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

Grant Thornton UK LLP

David Munton (Senior statutory auditor)
for and on behalf of
Grant Thornton UK LLP
Chartered Accountants
Statutory Auditor
Birmingham
Date: 27 September 2016

Mechatherm International Limited
Registered number:1112880

Statement of Comprehensive Income
For the Year Ended 29 February 2016

	Note	2016 £	2015 (As restated) £
Turnover	4	**11,128,213**	12,201,740
Cost of sales		**(8,520,877)**	(8,525,240)
Gross profit		**2,607,336**	3,676,500
Distribution costs		**(77,251)**	(129,213)
Administrative expenses		**(2,173,133)**	(2,992,803)
Operating profit	5	**356,952**	554,484
Interest receivable and similar income	8	**13,319**	19,803
Loss on change in fair value of financial assets / liabilities		**(93,220)**	(195,025)
Profit before tax		**277,051**	379,262
Tax on profit	9	**(58,808)**	(122,560)
Profit for the year		**218,243**	256,702
Other comprehensive income for the year			
Other comprehensive income		-	-
Other comprehensive income for the year		-	-
Total comprehensive income for the year		**218,243**	256,702

The notes on pages 11 to 29 form part of these financial statements.

Statement of Financial Position

As at 29 February 2016

	Note		29 February 2016 £		28 February 2015 (As restated) £
Fixed assets					
Tangible assets	11		**87,377**		141,711
Investment in a subsidiary			**75**		-
			87,452		141,711
Current assets					
Stocks	13	**261,756**		740,852	
Debtors: amounts falling due within one year	14	**1,082,818**		1,340,313	
Cash at bank and in hand	15	**3,741,928**		3,953,690	
		5,086,502		6,034,855	
Creditors: amounts falling due within one year	16	**(3,436,302)**		(4,482,157)	
Net current assets			**1,650,200**		1,552,698
Net assets			**1,737,652**		1,694,409
Capital and reserves					
Called up share capital	19		**10,000**		10,000
Profit and loss account			**1,727,652**		1,684,409
			1,737,652		1,694,409

The financial statements were approved and authorised for issue by the board and were signed on its behalf on

A F Riley- Chairman
Director

The notes on pages 11 to 29 form part of these financial statements.

Statement of Changes in Equity
For the Year Ended 29 February 2016

	Share capital	Retained earnings	Total equity
	£	£	£
At 1 March 2015 (as previously stated)	10,000	1,607,714	1,617,714
Changes in fair value of financial assets / liabilities	-	76,695	76,695
At 1 March 2015 (as restated)	10,000	1,684,409	1,694,409
Changes in equity			
Total comprehensive income	-	218,243	218,243
Transactions with owners			
Transactions with owners: Dividends paid on equity capital	-	(175,000)	(175,000)
At 29 February 2016	10,000	1,727,652	1,737,652

Statement of Changes in Equity
For the Year Ended 28 February 2015

	Share capital	Retained earnings	Total equity
	£	£	£
At 1 March 2014 (as previously stated)	10,000	1,505,987	1,515,987
Changes in fair value of financial assets / liabilities	-	271,720	271,720
At 1 March 2014 (as restated)	10,000	1,777,707	1,787,707
Changes in equity			
Total comprehensive income	-	256,702	256,702
Transactions with owners: Dividends paid on equity capital	-	(350,000)	(350,000)
At 28 February 2015	10,000	1,684,409	1,694,409

The notes on pages 11 to 29 form part of these financial statements.

Statement of Cash Flows
For the Year Ended 29 February 2016

	29 February 2016 £	28 February 2015 £
Cash flows from operating activities		
Profit for the financial year	**218,243**	256,702
Adjustments for:		
Depreciation of tangible assets	**76,713**	84,785
Loss on disposal of tangible assets	**3,667**	5,116
Decrease in stocks	**479,096**	1,578,770
Interest received	**(13,319)**	(19,803)
Taxation	**58,808**	122,560
Decrease in debtors	**220,895**	367,816
Decrease in creditors	**(1,033,773)**	(1,932,203)
Loss on change in fair value of derivative assets	**93,220**	195,025
Corporation tax paid	**(127,510)**	(263,170)
Net cash generated from operating activities	**(23,960)**	395,598
Cash flows from investing activities		
Purchase of tangible fixed assets	**(26,046)**	(74,994)
Proceeds from sale of tangible fixed assets	**-**	6,313
Acquisition of a subsidiary	**(75)**	-
Interest received	**13,319**	19,803
Net cash from investing activities	**(12,802)**	(48,878)
Cash flows from financing activities		
Dividends paid	**(175,000)**	(350,000)
Net cash used in financing activities	**(175,000)**	(350,000)
Net decrease in cash and cash equivalents	**(211,762)**	(3,280)
Cash and cash equivalents at beginning of year	**3,953,690**	3,956,970
Cash and cash equivalents at the end of year	**3,741,928**	3,953,690
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	**3,741,928**	3,953,690
	3,741,928	3,953,690

The notes on pages 11 to 29 form part of these financial statements.

Notes to the Financial Statements

For the Year Ended 29 February 2016

1. General information

Mechatherm International Limited is a limited liability company incorporated in England and Wales and it's registered office is Hampshire House, High Street, Kingswinford, West Midlands DY6 8AW. The principal activity of the company is to carry on business as consultant engineers and to furnish advice reports, designs, drawings, plans or alteration of plant and machinery.

To carry on business as consultant engineers and to be designers and advisers on an makers and repairers of and dealing in all kinds of engineering matters whatsoever.

To carry on any other trade or business whatsoever in connection with the above.

To purchase, take on lease or in exchange, hire or otherwise acquire and hold for any estate or interest any lands, buildings, easements, right, priveleges, concessions, patents, patents rights licences, and any real or personal property of any kind necessary or convenient for the purposes of or in connection with the company's business or any branch department thereof.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 3).

2.2 Turnover

Turnover is measured at the fair value of the consideration received or receivable from goods and services provided, net of trade discounts, value added and similar sales based taxes.

Turnover in respect of short term contracts represents the contract value accepted by customers and services rendered, and on long term contracts the value of work done on a percentage cost complete basis as noted below, which are stated net of VAT.

The directors consider the disclosure of turnover by geographical location to be prejudicial to the interests of the company.

Profit on contracts is taken when the product has been accepted by the customer, or in the case of contracts consisting of separate units, on acceptance of each unit. Full provision is made at the time of acceptance for all installation, commissioning and warranty costs.

Long term contracts

Long term contracts are those extending in excess of 12 months and any of a shorter duration which are material to the activity of the period. Attributable profit is recognised once the outcome of a long term contract can be assessed with reasonable certainty. Attributable profit is recognised on the cost percentage complete method. Full provision is made for all known or expected losses at completion, and immediately such losses are forecast on any individual contract in progress.

Notes to the Financial Statements

For the Year Ended 29 February 2016

2. Accounting policies (continued)

2.3 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, .

Depreciation is provided on the following basis:

Motor vehicles	- 25%
Plant and fixtures	- 10%
Computer equipment	- 25%

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other operating income' in the Statement of comprehensive income.

2.4 Impairment of assets

At each reporting date fixed assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset is estimated and compared with its carrying amount. If estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in profit or loss.

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

2.5 Operating leases: Lessee

Rentals paid under operating leases are charged to the profit or loss on a straight line basis over the period of the lease.

2.6 Investment in a subsidiary

Investment in a subsidiary is measured at cost less accumulated impairment.

Notes to the Financial Statements

For the Year Ended 29 February 2016

2. Accounting policies (continued)

2.7 Stocks and work in progress

Stocks and work in progress are valued at the lower of cost and net realisable value. Cost comprises direct materials and labour. 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

2.8 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

At the end of each reporting period, debtors are reduced to the amount of installments received in respect of work carried out and excess cash received.

2.9 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Statement of cash flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Company's cash management.

2.10 Financial instruments

The Company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable, loans 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 trade payables 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.

Notes to the Financial Statements

For the Year Ended 29 February 2016

2. Accounting policies (continued)

2.10 Financial instruments (continued)

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 discount 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. Changes 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.

2.11 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2. Accounting policies (continued)

2.12 Foreign currency translation

Functional and presentation currency

The company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the profit and loss account within 'finance income or costs'. All other foreign exchange gains and losses are presented in the profit and loss account within 'other operating income'.

2.13 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting. Dividends on shares recognised as liabilities are recognised as expenses and classified within interest payable.

2.14 Pensions

Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payments obligations.

The contributions are recognised as an expense in the profit and loss account when they fall due. Amounts not paid are shown in accruals as a liability in the statement of financial position. The assets of the plan are held separately from the Company in independently administered funds.

2.15 Interest income

Interest income is recognised in the profit and loss account using the effective interest method.

Notes to the Financial Statements

For the Year Ended 29 February 2016

2. Accounting policies (continued)

2.16 Royalties

Royalties are recognised in the accounts when the entitlement to the royalty income arises.

Royalty income has been included in turnover for both the 2016 and 2015 years.

2.17 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the profit and loss account, except that a change attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of financial position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and

- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

2.18 Provisions for liabilities

Provisions are recognised when the group has a present obligation (legal or constructive) as a result of a past event, it is probable that the group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value using a pre-tax discount rate. The unwinding of the discount is recognised as a finance cost in profit or loss in the period it arises.

Full provision is made to cover contracted warranty obligations in respect of contracts completed during the year.

3. Judgments in applying accounting policies and key sources of estimation uncertainty

Preparation of financial statements requires management to make significant judgements and estimates. The areas where these judgements and estimates have been made include;

Trade debtors

Trade debtors consist of amounts due from customers. An allowance for doubtful debts is maintained for estimated losses resulting from the viability of the company's customers to make required payment. The allowance is based on the company's regular assessment of the credit worthiness and financial conditions of customers.

Turnover and margin reconciliation

Determining the amount of any revenue to be recognised, costs to complete and assessment of any other costs arising, the impact of any changes in scope of work, together with the level of recoverable work-in-progress and receivables requires significant management judgements and estimates.

The company's policy is not to recognise margin on construction contracts until the outcome of the contract can be assessed with reasonable certainty – this assessment in itself is highly judgemental and is generally not achieved until the project has achieved substantial progress.

Further judgements are made on an ongoing basis with regard to the recoverability of amounts due from customers and other relevant parties, liabilities arising and the requirement for forward loss provisions. Regular forecasts are compiled on the outcomes of these types of contracts, which require assessments and judgements relating to the value of work performed, changes in work scopes, contract programmes and maintenance obligations

There are no key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material misstatement to the carrying amounts of assets and liabilities within the financial year.

FRS 102 Transition

As detailed within the accounting policies, the directors have adopted FRS 102 for the first time in preparing these financial statements. The main difference arising as a result of this is the need to hold foreign currency contracts at fair value. The directors have obtained external confirmation of the fair value of these financial instruments for each of the years ended February 2014, 2015 and 2016 and have adjusted the position at the year end and the movement in the fair value of these instruments during the course of each year. The fair value of the foreign currency contracts at February 2016 is a liability of £16,525 (2015: £76,695 asset).

4. Analysis of turnover

The whole of the turnover is attributable to the company's principal activity.

Analysis of turnover by country of destination:

	2016	2015
	£	£
United Kingdom	**2,110,063**	747,939
Rest of the world	**9,018,150**	11,453,801
	11,128,213	12,201,740

5. Operating profit

The operating profit is stated after charging:

	2016	2015
	£	£
Depreciation of tangible fixed assets	**76,713**	84,785
Fees payable to the Company's auditor and its associates for the audit of the company's annual financial statements	**24,000**	20,000
Exchange differences	**13,906**	(168,274)
Defined contribution pension cost	**127,938**	176,532
Operating lease rentals - other operating leases	**45,213**	58,002
Loss on disposal of fixed assets	**3,667**	5,116

6. Employees

Staff costs, including directors' remuneration, were as follows:

	2016	2015
	£	£
Wages and salaries	**2,145,025**	2,874,510
Social security costs	**249,139**	328,137
Cost of defined contribution scheme	**127,938**	176,532
	2,522,102	3,379,179

The average monthly number of employees, including the directors, during the year was as follows:

	2016	2015
	No.	No.
Production	**27**	33
Sales and distribution	**7**	9
Administration	**19**	24
	53	66

Notes to the Financial Statements
For the Year Ended 29 February 2016

7. Directors' remuneration

	2016	2015
	£	£
Directors' emoluments	**618,803**	731,036
Company contributions to defined contribution pension schemes	**17,511**	66,880
	636,314	797,916

During the year retirement benefits were accruing to 3 directors (2015 - 4) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £161,661 (2015 - £184,189).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £NIL (2015 - £11,000).

8. Interest receivable

	2016	2015
	£	£
Bank interest receivable	**13,319**	19,803
	13,319	19,803

Notes to the Financial Statements
For the Year Ended 29 February 2016

9. Taxation

	2016 £	2015 £
Corporation tax		
Current tax on profits for the year	91,099	127,000
Adjustments in respect of previous periods	(26,515)	(15,149)
	64,584	111,851
Double taxation relief	(16,315)	-
	48,269	111,851
Foreign tax		
Foreign tax on income for the year	16,315	10,709
Foreign tax in respect of prior periods	23,610	-
	39,925	10,709
Total current tax	88,194	122,560
Deferred tax		
Origination and reversal of timing differences	(43,890)	-
Effect of tax rate change on opening balance	(835)	-
Adjustment in respect of prior year periods	15,339	-
Total deferred tax	(29,386)	-
Taxation on profit on ordinary activities	58,808	122,560

Notes to the Financial Statements
For the Year Ended 29 February 2016

9. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2015 - higher than) the standard rate of corporation tax in the UK of 20.08% (2015 - 21.17%). The differences are explained below:

	2016	2015
	£	£
Profit on ordinary activities before tax	277,051	379,262
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20.08% (2015 - 21.17%)	55,645	121,577
Effects of:		
Expenses not deductible for tax purposes	1,953	5,699
Capital allowances for year in excess of depreciation	-	(276)
Adjustments to tax charge in respect of prior periods	(2,905)	(15,149)
Irrecoverable overseas tax	-	10,709
Adjustments to tax charge in respect of previous periods	15,339	-
Non-taxable income	(15,404)	-
Adjustment to deferred taxes	4,251	-
Deferred tax not recognised	153	-
Marginal relief	(224)	-
Total tax charge for the year	58,808	122,560

10. Dividends

	29 February 2016	28 February 2015
	£	£
Ordinary dividend of £17.50 per share (2014: £35)	175,000	350,000
	175,000	350,000

Notes to the Financial Statements
For the Year Ended 29 February 2016

11. Tangible fixed assets

	Fixtures & fittings	Computer equipment	Total
	£	£	£
Cost or valuation			
At 1 March 2015	168,284	484,252	652,536
Additions	847	25,199	26,046
Disposals	(16,900)	(5,718)	(22,618)
At 29 February 2016	152,231	503,733	655,964
Depreciation			
At 1 March 2015	152,866	357,959	510,825
Charge owned for the period	4,184	72,529	76,713
Disposals	(14,834)	(4,117)	(18,951)
At 29 February 2016	142,216	426,371	568,587
Net book value			
At 29 February 2016	10,015	77,362	87,377
At 28 February 2015	15,418	126,293	141,711

12. Investment in a subsidiary

On 18 March 2015, the company incorporated Coretex Industrial Systems Limited as its subsidiary. The company paid £75 as a consideration for 75 ordinary shares representing 75% ownership interest. The subsidiary is incorporated in the UK and engaged in engineering activities.

The directors of the company have elected to not prepare consolidated financial statements as the subsidiary results are highly immaterial to the company. In 2015, the company entered into a contract on behalf of the subsidiary to supply a furnace to a customer of the subsidiary, wherein the company has incurred costs to date amounting to £78,231. These costs have been recognized under work in progress.

Notes to the Financial Statements
For the Year Ended 29 February 2016

13. Stocks

	29 February 2016 £	28 February 2015 £
Long term contract balances	**261,756**	740,852
	261,756	740,852

Long term contract balances consist of:

	29 February 2016 £	28 February 2015 £
Costs to date less provision for losses	**2,364,048**	5,804,708
Applicable payments on account	**(2,102,292)**	(5,063,856)
	261,756	740,852

14. Debtors

	29 February 2016 £	28 February 2015 £
Trade debtors	**666,266**	817,164
Other debtors	**272,609**	259,661
Prepayments and accrued income	**107,557**	179,793
Deferred taxation	**36,386**	7,000
Derivative asset	**-**	76,695
	1,082,818	1,340,313

15. Cash and cash equivalents

	29 February 2016 £	28 February 2015 £
Cash at bank and in hand	**3,741,928**	3,953,690
	3,741,928	3,953,690

Notes to the Financial Statements

For the Year Ended 29 February 2016

16. Creditors: Amounts falling due within one year

	29 February 2016 £	28 February 2015 £
Payments received on account	**966,407**	944,707
Trade creditors	**1,562,782**	2,410,500
Amounts owed to related undertaking	**10,000**	10,000
Corporation tax	**74,783**	103,390
Taxation and social security	**65,353**	95,303
Accruals and deferred income	**740,452**	918,257
Financial liabilities	**16,525**	-
	3,436,302	4,482,157

Amounts due to related undertakings are monies owed to Mechatherm Engineering Limited and are interest free, having no fixed repayment date.

Notes to the Financial Statements
For the Year Ended 29 February 2016

17. Financial instruments

	29 February 2016 £	28 February 2015 £
Financial assets		
Cash and cash equivalents	**3,741,928**	3,953,690
Financial assets measured at amortised cost	**938,875**	1,076,825
Financial assets at fair value through profit or loss	**-**	76,696
	4,680,803	5,107,211
Financial liabilities		
Financial liabilities measured at amortised cost	**(2,313,234)**	(3,338,757)
Financial liability at fair value through profit or loss	**(16,525)**	-
	(2,329,759)	(3,338,757)

Cash and cash equivalents comprise cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value

Financial assets measured at amortised cost comprise other debtors and trade debtors.

Financial liabilities measured at amortised cost comprise trade creditors, other creditors and accruals.

18. Deferred taxation

	Deferred tax
	£
At 1 March 2015	7,000
Charged to the profit or loss	29,386
At 29 February 2016	**36,386**

The deferred tax asset is made up as follows:

	29 February 2016	28 February 2015
	£	£
Accelerated capital allowances	**(4,388)**	(13,000)
Short term timing differences	**40,774**	20,000
	36,386	7,000

19. Share capital

	29 February 2016	28 February 2015
	£	£
Allotted, called up and fully paid		
10,000 Ordinary shares of £1 each shares of £1 each	**10,000**	10,000

20. Pension commitments

The company operates a defined contribution pension scheme. The assets of the scheme are held seperately from those of the company in an independently administered fund. The pension cost charge represents contributions totalling £127,938 (2015: £176,532).

Notes to the Financial Statements
For the Year Ended 29 February 2016

21. Commitments under operating leases

At 29 February 2016 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	29 February 2016 £	28 February 2015 £
Within 1 year	**28,650**	28,650
Between 2 and 5 years	**114,600**	114,600
More than 5 years	**-**	28,650

22. Other financial commitments

The company's bankers have given performance bonds and guarantees totalling £917,113 (2015: £1,347,495). Of this, £40,892 (2015: £431,048) is covered by guarantees provided by the banks of certain suppliers.

All such guarantees have been given in the normal course of business, and no liabilities are expected to arise in respect of these bonds and guarantees.

The company's bankers hold a letter of charge over various designated deposits totalling £350,341 (2015: £466,584) held in hypothecated accounts.

These balances have been included within cash at bank and in hand in the cash flow statement.

At the year end, the company had in place currency contracts to sell £250,000 and £200,000 (2015: £Nil) at fixed rates.

23. Controlling party

The directors consider that there is no overall controlling party of the company.

Notes to the Financial Statements

For the Year Ended 29 February 2016

24. Financial risk management

The company has exposure to foreign currency risk, commodity price risk, credit risk, liquidity risk and cash flow interest rate risks.

Foreign Currency Risk
The Company is exposed in its trading operations to the risk of changes in foreign currency exchange rates. The Company uses a combination of exchange risk offsetting products to cover this including forward exchange contracts. The company does not trade in any exchange risk hedging products.

Commodity Price Risk
The Company's business may be affected by fluctuations in the price and supply of key raw materials, although purchasing policies and practices seek to mitigate, where practicable, such risks.

Credit Risk
Trade debtors represent the Company's maximum exposure to credit risk in relation to financial assets. Credit risk is managed by monitoring the aggregate amount and duration of exposure to any one customer depending on their credit rating. The amounts presented in the balance sheet are net of allowances for doubtful debts, estimated by the Company's management based on prior experience and their assessment of the current economic environment.

The credit risk of liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies. The Company has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers. A view is taken on each client and the risk managed accordingly using a variety of methods including insurance.

Liquidity Risk
Due to the nature of the Company's business, cash funds are held to support Bank Guarantee facilities provided by the Company's bankers. The Directors constantly monitor the Company's liquidity and bank guarantee arrangements and believe the Company has sufficient funding available to fund its operations for the foreseeable future. No borrowings exist at the year end.

Cash Flow Interest Rate Risk
Interest bearing assets comprise cash and bank deposits, all of which earn interest at a variable rate. No borrowings exist at the year end and therefore there is limited interest rate risk on financial liabilities

25. Transition to FRS 102

The Company transitioned to FRS 102 from previously extant UK GAAP as at 1 March 2014.

Reconciliation of equity at 1 March 2014

	£
Equity shareholders funds at 1 March 2014 under previous UK GAAP	1,515,987
Gain on change in fair value of derivative assets in 2014	271,720
Equity shareholders funds at 1 March 2014 under FRS 102	1,787,707

Reconciliation of equity at 28 February 2015

	£
Equity shareholders funds at 28 February 2015 under previous UK GAAP	1,617,714
Gain on change in fair value of derivative assets in 2014	271,720
Loss on change in fair value of derivative assets in 2015	(195,025)
Equity shareholders funds at 28 February 2015 under FRS 102	1,694,409

Reconciliation of profit and loss account for the year ended 28 February 2015

	£
Profit for the year under UK GAAP	451,727
Loss on change in fair value of derivative assets	(195,025)
Profit for the year ended 28 February 2015 under FRS 102	256,702
Restated statement of financial position	
Derivative assets at 28 February 2014 (as previously stated)	-
Derivative assets recognised in accordance with FRS 102	271,720
Derivative assets at 28 February 2014 (as restated)	271,720
Derivative assets at 28 February 2015 (as previously stated)	-
Derivative assets recognised in accordance with FRS 102	76,695
Derivative assets at 28 February 2015 (as restated)	76,695

Impact to FRS 102 adoption

Forward foreign exchange contracts held by the Company were not recognised in the statement of financial position under old UK GAAP. Under FRS 102 these contracts are recognised in the statement of financial position at fair value with movements in fair value recognised in profit or loss.