

Registered number 00794821

NCMT Limited

**Directors' report and financial
statements**

For the year ended 29 February 2016

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NCMT LIMITED

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NCMT LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

D Burley
LH Ireland
DJ James
AJ Maughan
MR Terry

SECRETARY

RC Kimber FCA

REGISTERED OFFICE

Ferry Works
Summer Road
Thames Ditton
Surrey KT7 0QJ

BANKERS

Bank of Scotland plc
3rd Floor Princess House
1 Suffolk Lane
London EC4R 0AX

SOLICITORS

Mundays LLP
Cedar House
78 Portsmouth Road
Cobham
Surrey KT11 1AN

AUDITORS

Mazars LLP
Tower Bridge House
St. Katharine's Way
London E1W 1DD

STRATEGIC REPORT

for the year ended 29 February 2016

The directors present their strategic report for NCMT Limited for the year ended 29 February 2016.

REVIEW AND ANALYSIS OF THE BUSINESS DURING THE CURRENT YEAR

The company continued its principal activities throughout the current year.

Key performance indicators

The directors monitor a range of key performance indicators to assess the ongoing financial prospects of the business. These include key measures of its net working capital needs including stock, debtor and creditor days as well as various profit ratios focusing on gross and net profit margins. These statistics enable the directors to review the company's position on a monthly basis and to take appropriate action where necessary.

The key performance indicators also include the value of new machine tool sales orders obtained by the business where the relevant machine tool has yet to be accepted by its customers. This is known as the new machine tool backlog. This statistic helps to give the directors an overview of the ongoing financial strength of the company and the directors are pleased to report that this key performance indicator stood at over £20,000,000 (2015: £18,000,000) as at the year end. The company's engineering project management should allow a significant part of this new machine tool backlog to be recognised in next year's financial statements.

Development and financial performance during the year

During the year the company had turnover of £29,729,000 (2015: £27,360,000) and recorded a profit on ordinary activities before taxation of £2,599,000 (2015: £1,659,000). The increase in the company's profit on ordinary activities before taxation is due to the company's careful monitoring and control of all items of expenditure together with its close management of all its major engineering projects.

Financial position at the reporting date

The statement of financial position shows that the company's net assets have decreased from £6,941,000 as at 28 February 2015 to £4,718,000 as at 29 February 2016. This movement is primarily due to the retained profit for the financial year offset by the payment of a dividend to its ultimate holding company during this year.

PRINCIPAL RISKS AND UNCERTAINTIES FACING THE BUSINESS

The board of directors continually monitors the financial and non-financial risks facing the company and assesses all the controls used for managing these risks. The directors formally review and record the principal risks facing the business on a regular basis.

The directors consider that the principal financial and non-financial risks and uncertainties facing the company include the following:

- Economic conditions- the company acknowledges the importance of maintaining close relationships with its key customers in order to be able to identify any signs of potential financial difficulty. Sales trends in its major market areas are constantly reviewed to ensure that early remedial action can be taken if appropriate or necessary. In addition the board of directors regularly reviews the global economic backdrop, financial indicators and exchange rate fluctuations in order to ensure that it is well appraised of all its chosen market places.
- Competitor pressure- the market in which the company operates is considered to be highly competitive, and therefore competitor pressure, including competition in pricing, could result in losing particular machine tool sales orders to its competition. The directors believe that the company manages this risk by providing high quality products and services tailored specifically to the needs of its diverse customer base and by maintaining strong and durable relationships with all of its customers and suppliers.
- Reliance on key suppliers- the company's purchasing activities could potentially expose it to over reliance on certain suppliers. The company manages this risk by ensuring that there is enough breadth in its supplier base and by constantly seeking alternative competitive suppliers.

NCMT LIMITED

STRATEGIC REPORT *(continued)*

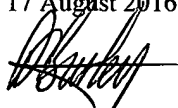
for the year ended 29 February 2016

PRINCIPAL RISKS AND UNCERTAINTIES FACING THE BUSINESS *(continued)*

- Loss of key personnel- this could present certain operational difficulties for the company. The directors seek to ensure that its personnel have appropriate remuneration plans, given the financial and economic conditions which prevail.
- Legislative changes- the company may be adversely affected by the enforcement of and changes in legislation and regulation affecting its business. This may involve compliance costs and restrictions on the company with fines or sanctions for non-compliance. The directors monitor legislative and regulatory changes and alter the company's business practice where appropriate.

APPROVAL

This report was approved by a duly appointed and authorised committee of the board of directors on 17 August 2016 and was signed on its behalf by:



D Burley
Director

Ferry Works
Summer Road
Thames Ditton
Surrey KT7 0QJ

NCMT LIMITED

DIRECTORS' REPORT

for the year ended 29 February 2016

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

PRINCIPAL ACTIVITIES

The principal activities of the company are the provision of engineering solutions and supply of specialist high precision machine tools and related equipment for manufacturing companies. Related equipment includes automation consisting of robots, conveyors and other equipment necessary to produce high specification engineering components or to reduce manning levels. This is supported by a full range of technical and engineering support activity, including the service and maintenance of the equipment supplied.

It operates predominantly in the high technology end of the aerospace, energy, medical supplies and automotive industries as well as in the general engineering business.

The directors are not aware, at the date of this report, of any likely major changes in the company's activities during the next financial year.

FINANCIAL INSTRUMENTS

Treasury operations and financial instruments

The company manages liquidity and foreign currency risks associated and linked with its activities. The company manages its exposure to foreign currency risk principally by using foreign currency forward exchange contracts negotiated with its bankers.

Liquidity risk

The company manages all aspects of its cash requirements in order to ensure that it has adequate liquid funds to meet the operating needs of the business and to minimise interest payments and exposure wherever possible.

Credit risk

Customers who wish to trade on credit terms are subject to credit verification procedures and on-going reviews. All trade debtor balances are monitored closely on a regular ongoing basis and full provision is made for any doubtful debts where considered necessary.

FUTURE DEVELOPMENTS

Whilst the directors acknowledge the risks which prevail in the company's chosen market place their focus is directed on the importance of cash flow to the business and the minimisation of the company's net working capital. The directors aim to continue to implement the management policies which have been introduced in recent years which they believe have assisted the company in overcoming the difficulties and uncertainties in the market place. Overall the directors believe that the company is well placed to be able to increase its activity levels and satisfy customer demand.

As the company enjoys the ongoing support of its bankers the directors remain confident that the increase in machine tool backlog and general business levels will contribute to a satisfactory financial year.

DIRECTORS' REPORT (continued)

for the year ended 29 February 2016

DIVIDEND

During the year the company paid a dividend of £5,000,000 - £6.34 per share (2015: *£nil - £nil per share*) and the directors do not recommend the payment of any further final dividend (2015: *£nil*).

DIRECTORS

The directors set out on page 2 have held office during the whole of the period from 1 March 2015 to the date of this report.

DIRECTORS' INDEMNITY

The company's articles of association provide, subject to the provision of UK legislation, an indemnity for directors of the company in respect of liabilities they may incur in the discharge of their duties or in the exercise of their powers, including any liabilities relating to the defence of any proceedings brought against them which relate to anything done or omitted, or alleged to have been done or omitted, by them as officers or employees of the company.

The directors benefit from qualifying third party indemnity provisions in place during the financial year and as at the date of this report.

RESEARCH AND DEVELOPMENT

The company is committed to certain tailored research and development activities. The company has spent £84,000 on various resources used in research and development this financial year (2015: *£145,000*).

EMPLOYMENT OF DISABLED PERSONS

The company's policy is to give full and fair consideration to applications for employment made by disabled persons, having regard to an individual's particular aptitudes and abilities. This policy also applies to any employee who might become disabled whilst employed by the company.

EMPLOYEE INVOLVEMENT

The directors aim to keep employees well informed on matters relevant to them through regular periodic team meetings, letters and electronic updates.

GOING CONCERN

As set out in note 1 to the financial statements the group of companies of which NCMT Limited is a member hitherto benefited from a working capital facility consisting of a maximum overdraft facility of £1,740,000 together with an indemnity line of £1,100,000 to cover bonds, indemnities and guarantees which was to be reviewed on or before 30 November 2016. On 26 May 2016 this facility was renewed with a maximum sterling overdraft of £2,000,000 and an indemnity line of £1,500,000. This renewed facility is to remain in place until 30 April 2017. Prior to the renewal of the working capital facility, the directors had implemented various policies in order to improve the group's likely cash flows in the future and on this basis have projected cash flow information for the period to 30 September 2017. On the basis of this projected cash flow information, the directors are of the opinion that they are able to remain within the revised working capital facility of £2,000,000 and £1,500,000 (bonds, indemnities and guarantees) for the period to 30 April 2017 and for the period to 30 September 2017.

The group's bankers have confirmed in writing that they do not see why they would not continue to provide the working capital facility to the group.

Therefore the directors believe that it is appropriate to continue to adopt the going concern basis for accounting in preparing the financial statements.

NCMT LIMITED

DIRECTORS' REPORT *(continued)*

for the year ended 29 February 2016

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom accounting standards and applicable law) ("UK GAAP"). 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 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 responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The directors are also responsible for the maintenance and integrity of the company's website.

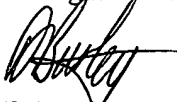
STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

Each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the auditors are aware of that information. As far as the directors are aware, there is no relevant audit information of which the auditors are unaware.

Mazars LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming annual general meeting.

APPROVAL

This report was approved by a duly appointed and authorised committee of the board of directors on 17 August 2016 and signed on its behalf by:



D Burley
Director

Ferry Works
Summer Road
Thames Ditton
Surrey KT7 0QJ

NCMT LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NCMT LIMITED

We have audited the financial statements of NCMT Limited for the year ended 29 February 2016 which comprise the income statement, the statement of financial position, the statement of comprehensive income, the statement of changes in equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS102 "The financial reporting standard applicable in the United Kingdom and Republic of Ireland".

Respective responsibilities of directors and auditors

As explained more fully in the directors' responsibilities statement set out on page 7, 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 (APB's) Ethical Standards for Auditors. This report, including our opinion, has been prepared for and only for 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.

Scope of the audit of the financial statements

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

Opinion on the 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 director's report for the financial year for which the financial statements are prepared is consistent with the financial statements.

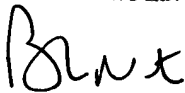
NCMT LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NCMT LIMITED (*continued*)

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.



Robert Neate
(Senior statutory auditor)

19 August 2016
For and on behalf of Mazars LLP, Chartered Accountants and Statutory Auditor

Tower Bridge House, St Katharine's Way, London E1W 1DD

NCMT LIMITED**Registered number 00794821****INCOME STATEMENT*****for the year ended 29 February 2016***

	<i>Note</i>	2016 £'000	2015 £'000
Turnover	2	29,729	27,360
Cost of sales		<u>(19,177)</u>	<u>(18,915)</u>
Gross profit		10,552	8,445
Administrative costs		(6,948)	(6,362)
Distribution costs		<u>(1,014)</u>	<u>(893)</u>
Operating profit		2,590	1,190
Profit on sale of freehold property		-	551
Interest receivable and similar income	5	9	1
Interest payable and similar charges	6	<u>-</u>	<u>(83)</u>
Profit on ordinary activities before taxation	4	2,599	1,659
Tax charge on profit on ordinary activities	7	<u>(467)</u>	<u>(250)</u>
Profit for the financial year		<u><u>2,132</u></u>	<u><u>1,409</u></u>

All amounts derive from continuing operations.

There are no recognised gains and losses for the year other than as stated above.

NCMT LIMITED**Registered number 00794821****STATEMENT OF FINANCIAL POSITION****as at 29 February 2016**

	<i>Note</i>	2016 £'000	2015 £'000
Non-current assets			
Tangible assets	9	1,467	1,561
Deferred tax		-	44
		1,467	1,605
Current assets			
Stocks	10	12,187	13,310
Debtors	11	6,728	11,101
Cash at bank and in hand		2,069	1,631
		20,984	26,042
Creditors: amounts falling due within one year	12	(16,998)	(20,127)
		3,986	5,915
Net current assets			
Total assets less current liabilities		5,453	7,520
Deferred tax		(118)	-
Provisions for liabilities	13	(617)	(579)
		4,718	6,941
Net assets			
Capital and reserves			
Called-up share capital	15	79	79
Capital redemption reserve		171	171
Profit and loss account		4,468	6,691
		4,718	6,941
Shareholder's funds			
		4,718	6,941

These financial statements of NCMT Limited were approved by a duly appointed and authorised committee of the board of directors on 17 August 2016 and were signed on its behalf by:



D Burley

Director

NCMT LIMITED

Registered number 00794821

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 29 February 2016

	2016 £'000	2015 £'000
Profit after taxation for the year	2,132	1,409
Cash flow hedges:		
Gains/(losses) arising during the year	807	109
Deferred tax on financial instruments	(162)	(22)
	<u>2,777</u>	<u>1,496</u>
Attributable to the owners		

STATEMENT OF CHANGES IN EQUITY

for the year ended 29 February 2016

	Called-up share capital £'000	Capital redemption reserve £'000	Profit and loss account £'000	Total £'000
At 1 March 2014	79	171	5,195	5,445
Profit after taxation for the year	-	-	1,409	1,409
Other comprehensive expense for the year	-	-	87	87
Total comprehensive income for the year	-	-	1,496	1,496
At 28 February 2015	79	171	6,691	6,941
At 1 March 2015	79	171	6,691	6,941
Profit after taxation for the year	-	-	2,132	2,132
Other comprehensive income for the year	-	-	645	645
Total comprehensive income for the year	-	-	2,777	2,777
Transactions with owners:				
Dividends	-	-	(5,000)	(5,000)
At 29 February 2016	79	171	4,468	4,718

NCMT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 29 February 2016

1. ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Basis of preparation

These financial statements have been prepared in accordance with applicable United Kingdom accounting standards, including financial reporting standard 102 "The financial reporting standard applicable in the United Kingdom and Republic of Ireland" ("FRS102") and with the Companies Act 2006. The financial statements have been prepared on the going concern basis in accordance with applicable accounting standards and under the historical cost accounting rules except for the modification to a fair value basis for certain financial instruments as specified in the accounting policies below.

This is the first year in which the financial statements have been prepared under FRS102. Refer to note 21 for an explanation of the transition.

The financial statements are presented in sterling.

The following disclosure exemptions have been adopted by the directors:

- the requirement to present a statement of cash flows and related notes,
- financial instrument disclosures, including categories of financial instruments, items of income, expenses, gains or losses relating to financial instruments and exposure to and management of financial risks.

The company met its day to day working capital requirements through a group working capital facility consisting of a group overdraft facility of £2,000,000 and an indemnity line to cover bonds, indemnities and guarantees of £1,500,000 which is in place until 30 April 2017.

Although the company had positive net assets as at 28 February 2016, a going concern issue does arise due to its involvement in the group working capital facility.

The directors have projected group cash flow information for the period 30 September 2017. In preparing these cash flows, the directors have assessed the likely sales activity and costs of the business. On the basis of this projected cash flow information, the directors are of the opinion that the revised working capital facility of £2,000,000 and indemnity line of £1,500,000 will be sufficient in order to fund likely running costs.

The bank has issued correspondence indicating that it expects to continue its banking and financing relationship with the company and that at the time of signing, could see no reason why existing facilities could not be renegotiated, with sufficient facilities made available to support the company, subject to the prior approval of the bank's credit committee.

The financial statements have been prepared on the going concern basis. This basis of preparation relies on the successful renewal of the group working capital facility. The directors, after making appropriate enquiries, believe that the company, with the renegotiated facilities, has adequate resources to continue in operational existence for the foreseeable future. Accordingly the directors consider that the going concern basis for the preparation of the financial statements is appropriate.

The directors have chosen to take the exemption available under financial reporting standard 1 ("FRS1") and have therefore not produced a statement of cash flows as NCMT Limited is a 100% subsidiary company.

NCMT LIMITED

NOTES TO THE FINANCIAL STATEMENTS *for the year ended 29 February 2016*

1. ACCOUNTING POLICIES (*continued*)

Tangible fixed assets

Depreciation is provided at rates calculated to write off the cost less estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Freehold and long leasehold properties	4% per annum
Leasehold improvements	the shorter of the duration of any lease and 10 years
Motor vehicles	25% per annum
Office equipment	20% -33% per annum

Stocks

Stocks, including provisions where applicable, are stated at the lower of cost and net realisable value. Net realisable value is based on estimated selling price less all further costs to completion and all relevant marketing, selling and distribution costs.

Contract work in progress

Work in progress is stated at cost.

Advance and progress payments are included under creditors to the extent that they exceed the related work in progress.

Work in progress is shown under stocks, except where it includes attributable profit when it is shown under debtors as amounts recoverable under contracts.

Leases

Operating lease rentals are charged to the income statement on a straight-line basis over the period of the lease. Finance lease liabilities are secured by the related assets held under finance leases. The lease agreement includes fixed finance lease payments and a purchase option at the end of the lease term.

Research and development

Expenditure on research and development is written off to the income statement in the year in which it is incurred.

Foreign exchange

Transactions denominated in foreign currencies are recorded using the rate of foreign exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of foreign exchange ruling at the statement of financial position date and the gains or losses on translation are included in the income statement. These translation differences are dealt with in the income statement.

Major transactions denoted in foreign currency are subject to forward foreign currency contracts. Other transactions are subject to monthly currency rate fixing.

NCMT LIMITED

NOTES TO THE FINANCIAL STATEMENTS *for the year ended 29 February 2016*

1. ACCOUNTING POLICIES (continued)

Turnover

The company's revenues are derived from the sale of specialist high precision machine tools together with associated third party products, the associated technical and engineering services and repair, maintenance and service work together with supply of associated engineering products and materials. All revenue is reported exclusive of value added tax.

The company's approach to revenue recognition is that the machine tool revenue is recognised when:

- persuasive evidence of a sales arrangement exists;
- the price to the customer is fixed or determinable;
- the sales arrangement does not require significant re-modification or customisation of the machine tool;
- physical delivery to the customer has occurred; and
- collectability is reasonably assured and there are no material outstanding conditions or contingencies attaching to the receipt of monies due.

Revenue from technical and engineering services (including project management, implementation and training) together with repair, maintenance and service work is normally recognised as the services are performed.

Pension

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The amount charged to the income statement represents the contributions payable to the scheme in respect of the financial year.

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the date of the statement of financial position where transactions or events that result in an obligation to pay more, or a right to pay less, tax in the future have occurred at the date of the statement of financial position, with the following exceptions:

- provision is made for gains on disposal of fixed assets that have been rolled over into replacement assets only where, at the balance sheet date, there is a commitment to dispose of the replacement assets; and
- deferred tax assets are recognised only to the extent that directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on a non-discounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on the tax rates and laws enacted or substantively enacted at the date of the statement of financial position.

Derivative financial instruments

Derivative financial instruments are recognised as a cash flow hedge. The fair value of these derivatives is reported in the cash flow hedge account within the statement of comprehensive income. Outstanding derivatives at the reporting date are included under the appropriate format heading depending on the nature of the derivative.

NCMT LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 29 February 2016

1. ACCOUNTING POLICIES (*continued*)

Provisions for liabilities

Provisions are recognised when the company has a present obligation (legal or constructive) as a result of a past event, it is probable that the company 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.

Full provision is made for likely services and spares costs in respect of machine tools sold and which are still under warranty at the year end.

The company recognises a provision for annual leave accrued by employees as a result of services rendered in the current period which employees are entitled to carry forward and use within the next twelve months. The provision is measured at the salary cost payable for the period of absence.

2. TURNOVER

	2016 £'000	2015 £'000
Machine tools, automation and related equipment	21,262	19,342
Service and spares	7,849	7,116
Tooling	618	902
	<u>29,729</u>	<u>27,360</u>

Overseas exports amounted to £10,697,000 (2015: £7,784,000). All remaining turnover is derived within the United Kingdom.

3. STAFF NUMBERS AND COSTS

	2016 £'000	2015 £'000
Directors' emoluments	757	693
Company contributions to money purchase pension scheme	64	60
	<u>821</u>	<u>753</u>
	£'000	£'000
Remuneration of highest paid director (including pension contributions paid on his behalf)	<u>175</u>	<u>160</u>

The aggregate of contributions paid to five (2015: five) directors in respect of a personal pension scheme was £64,000 (2015: £60,000).

The contributions paid on behalf of the highest paid director in respect of a personal pension scheme were £13,000 (2015: £12,000).

Key management personnel comprise the five executive directors and the company secretary. Their total compensation for the current year was £916,000 (2015: £854,000).

NCMT LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 29 February 2016

3. STAFF NUMBERS AND COSTS *(continued)*

The monthly average number of persons employed by the company (including directors) during the year, analysed by category, was as follows:

	2016 Number	2015 Number
Service and other engineers	47	44
Sales and technical engineers	23	22
Administration	30	29
	<u>100</u>	<u>95</u>
Staff costs including directors' remuneration amounted to:		
Wages and salaries	4,555	4,212
Social security	657	508
Other pension costs (see note 18)	276	264
	<u>5,488</u>	<u>4,984</u>

4. NOTES TO THE INCOME STATEMENT

Profit on ordinary activities before taxation is stated after charging:

	2016 £'000	2015 £'000
Depreciation and other amounts written off owned tangible fixed assets	199	221
Depreciation on tangible fixed assets held under finance leases	49	49
Loss on disposal of fixed assets	-	4
Other operating lease rentals	295	286
	<u>295</u>	<u>286</u>

	2016 £'000	2015 £'000
Auditor's remuneration:		
Audit of these financial statements	28	26
Other services relating to taxation	3	3
	<u>3</u>	<u>3</u>

5. INTEREST RECEIVABLE AND SIMILAR INCOME

	2016 £'000	2015 £'000
Bank interest receivable	9	1
	<u>9</u>	<u>1</u>

6. INTEREST PAYABLE AND SIMILAR CHARGES

	2016 £'000	2015 £'000
On bank loans and overdrafts	-	(83)
	<u>-</u>	<u>(83)</u>

NCMT LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 29 February 2016

7. TAX CHARGE ON PROFIT ON ORDINARY ACTIVITIES

a) Analysis of tax charge for the year

	2016 £'000	2015 £'000
<i>Current tax:</i>		
UK corporation tax on profit for the year	467	250
<i>Total current tax charge (note b)</i>	467	250
<i>Deferred tax:</i>		
Origination of timing differences	-	-
<i>Tax charge on profit on ordinary activities</i>	467	250

b) Factors affecting tax charge for the year

The tax assessed for the year differs from the main rate of corporation tax in the UK of 20.08% (2015: 21.17%). The differences are explained below:

	2016 £'000	2015 £'000
Profit on ordinary activities before taxation	2,599	1,659
Profit on ordinary activities multiplied by the main rate of corporation tax in the UK of 20.08% (2015: 21.17%)	522	356
<i>Effects of:</i>		
Expenses not deductible for tax purposes	30	(63)
Depreciation in excess of capital allowances for year	(7)	(23)
Creation of tax losses	-	(14)
Additional deduction for research and development expenditure	(21)	-
Group relief	(15)	(19)
Other temporary differences	(42)	13
<i>Current tax charge for the year</i>	467	250

8. DIVIDEND

	2016 £'000	2015 £'000
On equity ordinary shares of £0.10 each (£6.34 per share) (2015: £nil)	5,000	-

NCMT LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 29 February 2016

9. TANGIBLE FIXED ASSETS

	Long leasehold property £'000	Leasehold improve- ments £'000	Motor vehicles £'000	Office equipment £'000	Total £'000
COST					
At 1 March 2015	2,921	584	52	1,722	5,279
Additions	-	22	-	132	154
At 29 February 2016	2,921	606	52	1,854	5,433
DEPRECIATION					
At 1 March 2015	1,645	571	21	1,481	3,718
Charge for the period	85	6	19	138	248
At 29 February 2016	1,730	577	40	1,619	3,966
NET BOOK VALUE					
At 29 February 2016	1,191	29	12	235	1,467
At 1 March 2015	1,276	13	31	241	1,561

Included within tangible fixed assets are assets held under finance leases with a net book value as at 29 February 2016 of £nil (2015: £49,000). Depreciation charged on these assets was £49,000 for the year to 29 February 2016 (2015: £ 49,000).

10. STOCKS

	2016 £'000	2015 £'000
Long term contracts:		
Costs incurred to date	9,363	9,820
Machine tools and related equipment	784	1,036
Spares and tooling	2,040	2,454
	12,187	13,310

11. DEBTORS

	2016 £'000	2015 £'000
Trade debtors	2,993	3,879
Prepayments and accrued income	452	276
Taxation and social security	38	-
Amount owed by ultimate holding company	2,657	6,946
Derivative financial instruments	588	-
	6,728	11,101

The company enters into certain forward foreign currency contracts to mitigate the exchange rate risk for certain foreign exchange movements. At 29 February 2016 the outstanding contracts all mature within 11 months (2015: 7 months) of the year end. The company is committed to purchase 879,000,000 yen (2015: 623,000,000 yen) and pay a fixed sterling amount of £5,009,000 (2015: £3,592,000).

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 29 February 2016

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2016 £'000	2015 £'000
Obligations under finance leases	29	66
Payments on account	9,925	10,599
Trade creditors	5,215	7,559
Taxation and social security	-	89
Corporation tax	275	250
Accruals	1,554	1,347
Derivative financial instruments	-	217
	<u>16,998</u>	<u>20,127</u>

£nil (2015: £16,000) of the obligations under finance leases are due in more than one year.

13. PROVISIONS FOR LIABILITIES

	Dilapidations provision £'000	Warranty provision £'000	Total £'000
At beginning of year	200	379	579
Current year credit	-	38	38
At end of year	<u>200</u>	<u>417</u>	<u>617</u>

The warranty provision relates to warranties granted on machines tools sold. The calculation is based on a percentage of machine tool turnover. The dilapidations provision at the end of the year relates to probable work required on the expiry of a lease on the company's registered offices.

14. DEFERRED TAXATION

A deferred tax asset has not been recognised for £72,000 (2015: £81,000) in respect of tax losses, other timing differences and accelerated depreciation due to the unpredictability of future profit streams

15. CALLED-UP SHARE CAPITAL

	2016 £'000	2015 £'000
<i>Authorised</i>		
10,000,000 ordinary shares of £0.10 each (2015 : 10,000,000)	<u>1,000</u>	<u>1,000</u>
<i>Called-up, allotted and fully paid</i>		
788,920 ordinary shares of £0.10 each (2015: 788,920)	<u>79</u>	<u>79</u>

NCMT LIMITED

NOTES TO THE FINANCIAL STATEMENTS *for the year ended 29 February 2016*

16. LEASING COMMITMENTS

The future minimum operating lease payments for the company are as follows:

	2016 £'000	2015 £'000
Within one year	206	269
Between one and five years	180	297
Later than five years	3	5
	<u>389</u>	<u>571</u>

The future minimum finance lease payments for the company are as follows:

	2016 £'000	2015 £'000
Within one year	-	16
	<u>-</u>	<u>16</u>

17. FINANCIAL RISK MANAGEMENT

The company has exposures to four main areas of risk.

Foreign exchange transactional exposure

The company enters into forward foreign currency contracts to mitigate the exchange rate risk for certain foreign currency payables. The net exposure of each currency is monitored and managed by the use of forward foreign exchange contracts which generally mature within a twelve month period. At 29 February 2016 the company was committed to buy 879,000,000 yen (2015: 623,000,000 yen) within 11 (2015: 7) months.

Liquidity risk

The objective of the company in managing liquidity risk is to ensure that it can meet its financial obligations as and when they fall due. The company expects to meet its financial obligations through operating cash flows. In the event that the operating cash flows do not cover all the financial obligations the company has certain banking facilities available.

Customer credit exposure

The company offers credit terms to its customers which allow payment of outstanding debt after delivery of goods or services. The company is at risk to the extent that a customer may be unable to pay the specified debt on the due date. This risk is mitigated by strong on-going relationships with its customers.

Interest rate risk

The company borrows from its bankers using primarily its overdraft facility.

NCMT LIMITED

NOTES TO THE FINANCIAL STATEMENTS *for the year ended 29 February 2016*

18. PENSION SCHEME

The company runs an independently administered defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the company to the scheme which are based on a fixed percentage of employees' pay and amounted to £276,000 (2015: £264,000).

The company has no legal or constructive obligations to pay further contributions to the scheme once the contributions have been made.

Members' benefits are determined by the amount of contributions paid by the company and the member, any tax relief, together with investment returns earned on the contributions arising from the performance of each individual's chosen investments and the type of pension the member chooses to buy at retirement.

As a result, the actuarial risk (that benefits will be lower than expected) and investment risk (that assets invested in will not perform in line with expectations) fall on the employee.

There were no outstanding or prepaid contributions at either the beginning or end of the financial period.

19. RELATED AND CONTROLLING PARTIES

During the year ended 29 February 2016 the company paid £910 (2015: £910) for its share of annual service charges to Castlecroft Management Limited. This is a related party by virtue of NCMT Limited being a shareholder of the company. There was no outstanding balance in respect of these transactions during the year.

The company has availed itself of the exemption provided in financial reporting standard 8 "Related party transactions" for subsidiary undertakings in which 100% of its voting rights are controlled within the group from the requirement to give details of transactions with entities which are part of the group qualifying as related parties.

20. PARENT UNDERTAKING AND CONTROLLING PARTY

With effect from 6 June 2008 the ultimate parent undertaking is NCMT Holdings Limited a company incorporated in England and Wales. The ultimate controlling parties from this date are D Burley, LH Ireland, DJ James, AJ Maughan and MR Terry, by virtue of their shareholding in the ultimate parent company.

21. TRANSITION TO FRS102

This is the first financial year that the company has presented its financial statements in accordance with FRS102. For financial years up to and including the year ending 28 February 2015 the company prepared its financial statements in accordance with previously extant UK GAAP. The company's date of transition to FRS102 is therefore 1 March 2014.

This note sets out the changes to accounting policies and the transitional adjustments that are required to be made for first time transition to FRS102. The company's opening equity position as at 1 March 2014 and its previously published financial statements for the year ended 28 February 2015 have been restated from previously extant UK GAAP.

Set out below are the transition tables to reconcile total equity as at 1 March 2014, total equity as at 28 February 2015 and profit for the year ended 28 February 2015.

NCMT LIMITED

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 29 February 2016

21. TRANSITION TO FRS102 (continued)

Reconciliation of equity at 1 March 2014

	UK GAAP as previously reported £'000	Effect of transition to FRS 102 £'000	Reference	FRS 102 £'000
Non-current assets				
Tangible assets	1,749	-		1,749
Deferred tax	-	66	(21b)	66
	<u>1,749</u>	<u>66</u>		<u>1,815</u>
Current assets				
Stocks	12,045	-		12,045
Debtors	11,689	-		11,689
Cash at bank and in hand	-	-		-
	<u>23,734</u>	<u>-</u>		<u>23,734</u>
Creditors: amounts falling due within one year	<u>(19,319)</u>	<u>(328)</u>	(21a)	<u>(19,647)</u>
Net current assets	<u>4,415</u>	<u>(328)</u>		<u>4,087</u>
Total assets less current liabilities	<u>6,164</u>	<u>(262)</u>		<u>5,902</u>
Provisions for liabilities	<u>(457)</u>	<u>-</u>		<u>(457)</u>
Net assets	<u>5,707</u>	<u>(262)</u>		<u>5,445</u>
Called-up share capital	79	-		79
Capital redemption reserve	171	-		171
Retained earnings	5,457	(262)	(21a)	5,195
Total equity	<u>5,707</u>	<u>(262)</u>		<u>5,445</u>

NCMT LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 29 February 2016

21. TRANSITION TO FRS102 (continued)

Reconciliation of equity at 28 February 2015

	UK GAAP as previously reported £'000	Effect of transition to FRS 102 £'000	Reference	FRS 102 £'000
Non-current assets				
Tangible assets	1,561	-		1,561
Deferred tax	-	44	(21b)	44
	<u>1,561</u>	<u>44</u>		<u>1,605</u>
Current assets				
Stocks	13,312	(2)		13,310
Debtors	11,101	-		11,101
Cash at bank and in hand	1,631	-		1,631
	<u>26,044</u>	<u>(2)</u>		<u>26,042</u>
Creditors: amounts falling due within one year	<u>(19,910)</u>	<u>(217)</u>	(21a)	<u>(20,127)</u>
Net current assets	6,134	(219)		5,915
Total assets less current liabilities	7,695	(175)		7,520
Provisions for liabilities	(579)	-		(579)
Net assets	<u>7,116</u>	<u>(175)</u>		<u>6,941</u>
Called-up share capital	79	-		79
Capital redemption reserve	171	-		171
Retained earnings	6,866	(175)	(21a)	6,691
Total equity	<u>7,116</u>	<u>(175)</u>		<u>6,941</u>

NCMT LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 29 February 2016

21. TRANSITION TO FRS102 (continued)

Reconciliation of total comprehensive income for the year ended 28 February 2015

	UK GAAP as previously reported £'000	Effect of transition to FRS 102 £'000	Reference	FRS 102 £'000
Turnover	27,360	-		27,360
Cost of sales	(18,915)	-		(18,915)
Gross profit	8,445	-		8,445
Administrative costs	(6,362)	-	(21a)	(6,362)
Distribution costs	(893)	-		(893)
Operating profit	1,190	-		1,190
Profit on sale of freehold property	551	-		551
Interest receivable and similar income	1	-	(21b)	1
Interest payable and similar charges	(83)	-		(83)
Profit on ordinary activities before taxation	1,659	-		1,659
Tax charge on profit on ordinary activities	(250)	-		(250)
Profit for the financial year	1,409	-		1,409
Other comprehensive income:				
<i>Items that will not be reclassified to profit or loss:</i>				
Foreign currency translation differences	-	(219)	(21a)	(219)
Deferred tax on financial instruments	-	44	(21b)	44
	-	(175)		(175)
Total comprehensive income for the year	1,409	(175)		1,234

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 29 February 2016

21. TRANSITION TO FRS102 *(continued)*

Explanation of the effect of the transition to FRS 102

(a) Foreign exchange derivatives

On transition to FRS 102, foreign exchange derivatives were recognised as a cash flow hedge in creditors at a value of £219,000 at 28 February 2015 (*£328,000 at 1 March 2014*) adjustment in the statement of financial position with a £219,000 charge to the cash flow hedge account in the statement of comprehensive income for the year to 28 February 2015.

(b) Deferred tax

Following the recognition of the foreign exchange derivative an associated deferred tax asset has been recognised and accounted for as a £44,000 at 28 February 2015 (*£66,000 at 1 March 2014*) adjustment in the statement of financial position with a £44,000 tax credit in the statement of comprehensive income for the year to 28 February 2015.