

**Registered number 00794821**

**NCMT Limited**

**Directors' report and financial  
statements**

**For the year ended 28 February 2017**



# **NCMT LIMITED**

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# **NCMT LIMITED**

## **OFFICERS AND PROFESSIONAL ADVISERS**

### **DIRECTORS**

|            |                        |
|------------|------------------------|
| D Burley   | Managing director      |
| LH Ireland | Sales director         |
| DJ James   | Non executive director |
| AJ Maughan | Engineering director   |
| MR Terry   | Service director       |

### **SECRETARY**

RC Kimber FCA

### **REGISTERED OFFICE**

Ferry Works  
Summer Road  
Thames Ditton  
Surrey KT7 0QJ

### **BANKERS**

Bank of Scotland plc  
3<sup>rd</sup> 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

# **NCMT LIMITED**

## **STRATEGIC REPORT**

*for the year ended 28 February 2017*

The directors present their strategic report for NCMT Limited for the year ended 28 February 2017. As permitted by paragraph 1A of schedule 7 to the Large and Medium Sized companies and Groups (Accounts and Reports) Regulations 2008, certain matters which are required to be disclosed in the Directors' Report have been omitted as they are included in the strategic report on pages 3 and 4. These matters relate to the development and financial performance, principal risks and uncertainties and financial key performance indicators.

### **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 £31,000,000 (2016: £20,000,000) 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 £40,330,000 (2016: £29,729,000) and recorded a profit on ordinary activities before taxation of £3,025,000 (2016: £2,599,000). 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 increased from £4,718,000 as at 29 February 2016 to £5,444,000 as at 28 February 2017. This movement is primarily due to the retained profit for the financial 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.
- **Brexit risk-** the company is aware of the increased uncertainty which exists throughout its key market sectors which emanates from the entire Brexit process. The board has initiated some planning actions which are intended to place the company in a strong position once the outcome of those negotiations becomes more apparent.

## NCMT LIMITED

### **STRATEGIC REPORT** *(continued)* *for the year ended 28 February 2017*

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

- 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.
- 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 11 September 2017 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 28 February 2017*

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

### **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.

## **NCMT LIMITED**

### **DIRECTORS' REPORT *(continued)*** ***for the year ended 28 February 2017***

#### **DIVIDEND**

During the year the company paid a dividend of £1,000,000 - £1.27 per share (2016: £5,000,000 - £6.34 per share) and the directors do not recommend the payment of any further final dividend (2016: £nil).

#### **DIRECTORS**

The directors set out on page 2 have held office during the whole of the period from 1 March 2016 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 £141,000 on various resources used in research and development this financial year (2016: £84,000).

#### **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**

On 15 May 2017 the company's bankers renewed its working capital facility with a maximum sterling overdraft of £2,000,000 and a further indemnity line for bonds, indemnities and guarantees of £2,000,000. This renewed facility is to remain in place until 30 April 2018. The directors have 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 2018. 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 indemnity line of £2,000,000 for the period to 30 April 2018 and for the period to 30 September 2018.

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 28 February 2017*

### **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"), including FRS102 "The financial reporting standard applicable in the United Kingdom 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 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 11 September 2017 and signed on its behalf by:



D Burley  
*Director*

Ferry Works  
Summer Road  
Thames Ditton  
Surrey KT7 0QJ

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

We have audited the financial statements of NCMT Limited for the year ended 28 February 2017 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](http://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 28 February 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**Opinion on other matter prescribed by the Companies Act 2006**

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

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

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

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

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

We have nothing to report in respect of the following matters 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)  
For and on behalf of Mazars LLP, Chartered Accountants and Statutory Auditor  
Tower Bridge House, St Katharine's Way, London E1W 1DD

13 September 2017

**NCMT LIMITED****Registered number 00794821****INCOME STATEMENT*****for the year ended 28 February 2017***

|                                                      | <i>Note</i> | <b>2017<br/>£'000</b> | <b>2016<br/>£'000</b> |
|------------------------------------------------------|-------------|-----------------------|-----------------------|
| <b>Turnover</b>                                      | <b>2</b>    | 40,330                | 29,729                |
| Cost of sales                                        |             | <u>(28,291)</u>       | <u>(19,177)</u>       |
| <b>Gross profit</b>                                  |             | 12,039                | 10,552                |
| Administrative costs                                 |             | <u>(7,829)</u>        | <u>(6,948)</u>        |
| Distribution costs                                   |             | <u>(1,186)</u>        | <u>(1,014)</u>        |
| <b>Operating profit</b>                              |             | 3,024                 | 2,590                 |
| Interest receivable and similar income               | 5           | 2                     | 9                     |
| Interest payable and similar charges                 | 6           | <u>(1)</u>            | <u>-</u>              |
| <b>Profit on ordinary activities before taxation</b> | <b>4</b>    | 3,025                 | 2,599                 |
| Tax charge on profit on ordinary activities          | 7           | <u>(607)</u>          | <u>(467)</u>          |
| <b>Profit for the financial year</b>                 |             | <u><u>2,418</u></u>   | <u><u>2,132</u></u>   |

All amounts derive from continuing operations.

# NCMT LIMITED

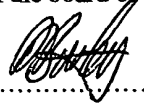
Registered number 00794821

## STATEMENT OF FINANCIAL POSITION

as at 28 February 2017

|                                                       | <i>Note</i> | 2017<br>£'000   | 2016<br>£'000   |
|-------------------------------------------------------|-------------|-----------------|-----------------|
| <b>Non-current assets</b>                             |             |                 |                 |
| Tangible assets                                       | 9           | 1,414           | 1,467           |
| Deferred tax                                          | 14          | 52              | -               |
|                                                       |             | <u>1,466</u>    | <u>1,467</u>    |
| <b>Current assets</b>                                 |             |                 |                 |
| Stocks                                                | 10          | 16,002          | 12,187          |
| Debtors                                               | 11          | 7,760           | 6,728           |
| Cash at bank and in hand                              |             | 5,302           | 2,069           |
|                                                       |             | <u>29,064</u>   | <u>20,984</u>   |
| <b>Creditors: amounts falling due within one year</b> | 12          | <u>(24,274)</u> | <u>(16,998)</u> |
| <b>Net current assets</b>                             |             | <u>4,790</u>    | <u>3,986</u>    |
| <b>Total assets less current liabilities</b>          |             | 6,256           | 5,453           |
| Deferred tax                                          | 14          | -               | (118)           |
| <b>Provisions for liabilities</b>                     | 13          | <u>(812)</u>    | <u>(617)</u>    |
| <b>Net assets</b>                                     |             | <u>5,444</u>    | <u>4,718</u>    |
| <b>Capital and reserves</b>                           |             |                 |                 |
| Called-up share capital                               | 15          | 79              | 79              |
| Capital redemption reserve                            |             | 171             | 171             |
| Profit and loss account                               |             | 5,194           | 4,468           |
|                                                       |             | <u>5,444</u>    | <u>4,718</u>    |
| <b>Shareholder's funds</b>                            |             | <u>5,444</u>    | <u>4,718</u>    |

These financial statements of NCMT Limited were approved by a duly appointed and authorised committee of the board of directors on 11 September 2017 and were signed on its behalf by:

  
 .....  
 D Burley  
 Director

# NCMT LIMITED

Registered number 00794821

## STATEMENT OF COMPREHENSIVE INCOME

*for the year ended 28 February 2017*

|                                                       | 2017<br>£'000 | 2016<br>£'000 |
|-------------------------------------------------------|---------------|---------------|
| Profit after taxation for the year                    | 2,418         | 2,132         |
| Cash flow hedges:                                     |               |               |
| (Losses)/gains arising during the year                | (862)         | 807           |
| Deferred tax charge/(credit) on financial instruments | 170           | (162)         |
|                                                       | <hr/>         | <hr/>         |
| Attributable to the owners                            | 1,726         | 2,777         |
|                                                       | <hr/>         | <hr/>         |

## STATEMENT OF CHANGES IN EQUITY

*for the year ended 28 February 2017*

|                                                | Called-up<br>share capital<br>£'000 | Capital<br>redemption<br>reserve<br>£'000 | Profit and<br>loss<br>account<br>£'000 | Total<br>£'000    |
|------------------------------------------------|-------------------------------------|-------------------------------------------|----------------------------------------|-------------------|
| <b>At 1 March 2015</b>                         | 79                                  | 171                                       | 6,691                                  | 6,941             |
| Profit after taxation for the year             | -                                   | -                                         | 2,132                                  | 2,132             |
| Other comprehensive income for the year        | -                                   | -                                         | 645                                    | 645               |
| <b>Total comprehensive income for the year</b> | -                                   | -                                         | 2,777                                  | 2,777             |
| Transactions with owners:                      |                                     |                                           |                                        |                   |
| Dividends                                      | -                                   | -                                         | (5,000)                                | (5,000)           |
| <b>At 29 February 2016</b>                     | <hr/> 79 <hr/>                      | <hr/> 171 <hr/>                           | <hr/> 4,468 <hr/>                      | <hr/> 4,718 <hr/> |
| <b>At 1 March 2016</b>                         | 79                                  | 171                                       | 4,468                                  | 4,718             |
| Profit after taxation for the year             | -                                   | -                                         | 2,418                                  | 2,418             |
| Other comprehensive expense for the year       | -                                   | -                                         | (692)                                  | (692)             |
| <b>Total comprehensive income for the year</b> | -                                   | -                                         | 1,726                                  | 1,726             |
| Transactions with owners:                      |                                     |                                           |                                        |                   |
| Dividends                                      | -                                   | -                                         | (1,000)                                | (1,000)           |
| <b>At 28 February 2017</b>                     | <hr/> 79 <hr/>                      | <hr/> 171 <hr/>                           | <hr/> 5,194 <hr/>                      | <hr/> 5,444 <hr/> |

**NOTES TO THE FINANCIAL STATEMENTS**  
***for the year ended 28 February 2017***

**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.

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 £2,000,000 which is in place until 30 April 2018.

Although the company had positive net assets as at 28 February 2017, 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 to 30 September 2018. 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 £2,000,000 will be sufficient in order to fund likely running costs.

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 FRS102 section 1 (paragraph 1.1.2) and have therefore not produced a statement of cash flows as NCMT Limited is a 100% subsidiary company.

**NOTES TO THE FINANCIAL STATEMENTS**  
***for the year ended 28 February 2017***

**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.

**NOTES TO THE FINANCIAL STATEMENTS**  
*for the year ended 28 February 2017*

**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.

**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 28 February 2017**

**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.

**Critical accounting judgments and key sources of estimation uncertainty**

In the application of the company's accounting policies, which are described in note 1, management is required to make judgements, estimates and assumptions about the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

**2. TURNOVER**

|                                                 | 2017<br>£'000 | 2016<br>£'000 |
|-------------------------------------------------|---------------|---------------|
| Machine tools, automation and related equipment | 31,798        | 21,262        |
| Service and spares                              | 8,532         | 8,467         |
|                                                 | <u>40,330</u> | <u>29,729</u> |

Overseas exports amounted to £14,742,000 (2016: £10,697,000). All remaining turnover is derived within the United Kingdom.

**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 28 February 2017**

**3. STAFF NUMBERS AND COSTS**

|                                                                                            | <b>2017</b>  | <b>2016</b>  |
|--------------------------------------------------------------------------------------------|--------------|--------------|
|                                                                                            | <b>£'000</b> | <b>£'000</b> |
| Directors' emoluments                                                                      | 883          | 757          |
| Company contributions to money purchase pension scheme                                     | 69           | 64           |
|                                                                                            | <u>952</u>   | <u>821</u>   |
|                                                                                            | <b>£'000</b> | <b>£'000</b> |
| Remuneration of highest paid director (including pension contributions paid on his behalf) | <u>183</u>   | <u>175</u>   |

The aggregate of contributions paid to five (2016: five) directors in respect of a personal pension scheme was £69,000 (2016: £64,000).

The contributions paid on behalf of the highest paid director in respect of a personal pension scheme were £14,000 (2016: £13,000).

Key management personnel comprise the five executive directors and the company secretary. Their total compensation for the current year was £986,000 (2016: £916,000).

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

|                                                            | <b>2017</b>   | <b>2016</b>   |
|------------------------------------------------------------|---------------|---------------|
|                                                            | <b>Number</b> | <b>Number</b> |
| Service and other engineers                                | 56            | 47            |
| Sales and technical engineers                              | 25            | 23            |
| Administration                                             | 30            | 30            |
|                                                            | <u>111</u>    | <u>100</u>    |
| Staff costs including directors' remuneration amounted to: |               |               |
| Wages and salaries                                         | 5,110         | 4,555         |
| Social security                                            | 653           | 657           |
| Other pension costs (see note 18)                          | 325           | 276           |
|                                                            | <u>6,088</u>  | <u>5,488</u>  |

**NOTES TO THE FINANCIAL STATEMENTS**  
*for the year ended 28 February 2017*

**4. NOTES TO THE INCOME STATEMENT**

Profit on ordinary activities before taxation is stated after charging/(crediting):

|                                                                        | <b>2017</b>  | <b>2016</b>  |
|------------------------------------------------------------------------|--------------|--------------|
|                                                                        | <b>£'000</b> | <b>£'000</b> |
| Depreciation and other amounts written off owned tangible fixed assets | 236          | 199          |
| Depreciation on tangible fixed assets held under finance leases        | -            | 49           |
| Profit on disposal of fixed assets                                     | (15)         | -            |
| Other operating lease rentals                                          | 560          | 494          |
|                                                                        | <u>560</u>   | <u>494</u>   |

|                                       | <b>2017</b>  | <b>2016</b>  |
|---------------------------------------|--------------|--------------|
|                                       | <b>£'000</b> | <b>£'000</b> |
| Auditor's remuneration:               |              |              |
| Audit of these financial statements   | 27           | 28           |
| Other services relating to taxation   | 6            | 3            |
| Services relating to equity valuation | 4            | -            |
|                                       | <u>37</u>    | <u>34</u>    |

**5. INTEREST RECEIVABLE AND SIMILAR INCOME**

|                          | <b>2017</b>  | <b>2016</b>  |
|--------------------------|--------------|--------------|
|                          | <b>£'000</b> | <b>£'000</b> |
| Bank interest receivable | 2            | 9            |
|                          | <u>2</u>     | <u>9</u>     |

**6. INTEREST PAYABLE AND SIMILAR CHARGES**

|                              | <b>2017</b>  | <b>2016</b>  |
|------------------------------|--------------|--------------|
|                              | <b>£'000</b> | <b>£'000</b> |
| On bank loans and overdrafts | 1            | -            |
|                              | <u>1</u>     | <u>-</u>     |

**NOTES TO THE FINANCIAL STATEMENTS**  
*for the year ended 28 February 2017*

**7. TAX CHARGE ON PROFIT ON ORDINARY ACTIVITIES**

**a) Analysis of tax charge for the year**

|                                           | <b>2017</b>  | <b>2016</b>  |
|-------------------------------------------|--------------|--------------|
|                                           | <b>£'000</b> | <b>£'000</b> |
| <i>Current tax:</i>                       |              |              |
| UK corporation tax on profit for the year | 607          | 467          |
|                                           | <hr/>        | <hr/>        |
| <i>Total current tax charge (note b)</i>  | <u>607</u>   | <u>467</u>   |

**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 20.00% (2016: 20.08%). The differences are explained below:

|                                                                                                                 | <b>2017</b>  | <b>2016</b>  |
|-----------------------------------------------------------------------------------------------------------------|--------------|--------------|
|                                                                                                                 | <b>£'000</b> | <b>£'000</b> |
| Profit on ordinary activities before taxation                                                                   | 3,025        | 2,599        |
|                                                                                                                 | <hr/>        | <hr/>        |
| Profit on ordinary activities multiplied by the main rate of corporation tax in the UK of 20.00% (2016: 20.08%) | 605          | 522          |
| <i>Effects of:</i>                                                                                              |              |              |
| Expenses not deductible for tax purposes                                                                        | 13           | 30           |
| Capital allowances in excess of depreciation for year                                                           | 19           | (7)          |
| Additional deduction for research and development expenditure                                                   | (37)         | (21)         |
| Group relief                                                                                                    | (15)         | (15)         |
| Adjustment in respect of prior years                                                                            | 29           | -            |
| Deferred tax not recognised                                                                                     | (7)          | -            |
| Other temporary differences                                                                                     | -            | (42)         |
|                                                                                                                 | <hr/>        | <hr/>        |
| <i>Current tax charge for the year</i>                                                                          | <u>607</u>   | <u>467</u>   |

**8. DIVIDEND**

|                                                                            | <b>2017</b>  | <b>2016</b>  |
|----------------------------------------------------------------------------|--------------|--------------|
|                                                                            | <b>£'000</b> | <b>£'000</b> |
| On ordinary shares of £0.10 each (£1.27 per share) (2016: £6.34 per share) | 1,000        | 5,000        |
|                                                                            | <hr/>        | <hr/>        |

**NOTES TO THE FINANCIAL STATEMENTS**  
*for the year ended 28 February 2017*

**9. TANGIBLE FIXED ASSETS**

|                       | Long<br>leasehold<br>property<br>£'000 | Leasehold<br>improve-<br>ments<br>£'000 | Motor<br>vehicles<br>£'000 | Office<br>equipment<br>£'000 | Total<br>£'000 |
|-----------------------|----------------------------------------|-----------------------------------------|----------------------------|------------------------------|----------------|
| <b>COST</b>           |                                        |                                         |                            |                              |                |
| At 1 March 2016       | 2,921                                  | 606                                     | 52                         | 1,854                        | 5,433          |
| Additions             | -                                      | -                                       | -                          | 187                          | 187            |
| Disposals             | -                                      | -                                       | (52)                       | -                            | (52)           |
| At 28 February 2017   | 2,921                                  | 606                                     | -                          | 2,041                        | 5,568          |
| <b>DEPRECIATION</b>   |                                        |                                         |                            |                              |                |
| At 1 March 2016       | 1,730                                  | 577                                     | 40                         | 1,619                        | 3,966          |
| Charge for the period | 86                                     | 6                                       | 8                          | 136                          | 236            |
| Disposals             | -                                      | -                                       | (48)                       | -                            | (48)           |
| At 28 February 2017   | 1,816                                  | 583                                     | -                          | 1,755                        | 4,154          |
| <b>NET BOOK VALUE</b> |                                        |                                         |                            |                              |                |
| At 28 February 2017   | 1,105                                  | 23                                      | -                          | 286                          | 1,414          |
| At 1 March 2016       | 1,191                                  | 29                                      | 12                         | 235                          | 1,467          |

**10. STOCKS**

|                                     | 2017<br>£'000 | 2016<br>£'000 |
|-------------------------------------|---------------|---------------|
| Long term contracts:                |               |               |
| Costs incurred to date              | 12,290        | 9,363         |
| Machine tools and related equipment | 1,414         | 784           |
| Spare parts                         | 2,298         | 2,040         |
|                                     | 16,002        | 12,187        |

**11. DEBTORS**

|                                         | 2017<br>£'000 | 2016<br>£'000 |
|-----------------------------------------|---------------|---------------|
| Trade debtors                           | 5,832         | 2,993         |
| Prepayments and accrued income          | 299           | 452           |
| Taxation and social security            | -             | 38            |
| Amount owed by ultimate holding company | 1,629         | 2,657         |
| Derivative financial instruments        | -             | 588           |
|                                         | 7,760         | 6,728         |

**NOTES TO THE FINANCIAL STATEMENTS**  
*for the year ended 28 February 2017*

**12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

|                                  | 2017<br>£'000 | 2016<br>£'000 |
|----------------------------------|---------------|---------------|
| Obligations under finance leases | -             | 29            |
| Payments on account              | 11,378        | 9,925         |
| Trade creditors                  | 10,531        | 5,215         |
| Taxation and social security     | 382           | -             |
| Corporation tax                  | 368           | 275           |
| Accruals                         | 1,341         | 1,554         |
| Derivative financial instruments | 274           | -             |
|                                  | <u>24,274</u> | <u>16,998</u> |

The company enters into certain forward foreign currency contracts to mitigate the exchange rate risk for certain foreign exchange movements. At 28 February 2017 the outstanding contracts all mature within 11 (2016: 11) months of the year end. The company is committed to purchase 1,301,000,000 yen (2016: 879,000,000 yen) and pay a fixed sterling amount of £9,573,000 (2016: £5,009,000).

**13. PROVISIONS FOR LIABILITIES**

|                      | Dilapidations<br>provision<br>£'000 | Warranty<br>provision<br>£'000 | Total<br>£'000 |
|----------------------|-------------------------------------|--------------------------------|----------------|
| At beginning of year | 200                                 | 417                            | 617            |
| Current year charge  | -                                   | 195                            | 195            |
| At end of year       | <u>200</u>                          | <u>612</u>                     | <u>812</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 of £52,000 has arisen at the year end and has been recognised on the translation of certain forward foreign currency contracts referred to in note 12. At the previous year end a deferred tax liability of £118,000 arose on similar forward foreign currency contracts.

A deferred tax asset has not been recognised for £58,000 (2016: £72,000) in respect of tax losses, other timing differences and accelerated depreciation due to the unpredictability of future profit streams.

**15. CALLED-UP SHARE CAPITAL**

|                                                              | 2017<br>£'000 | 2016<br>£'000 |
|--------------------------------------------------------------|---------------|---------------|
| <i>Authorised</i>                                            |               |               |
| 10,000,000 ordinary shares of £0.10 each (2016 : 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 (2016: 788,920)        | <u>79</u>     | <u>79</u>     |

**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 28 February 2017**

**16. LEASING COMMITMENTS**

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

|                            | <b>2017</b>  | <b>Restated</b> |
|----------------------------|--------------|-----------------|
|                            | <b>£'000</b> | <b>2016</b>     |
|                            |              | <b>£'000</b>    |
| Within one year            | 412          | 414             |
| Between one and five years | 1,200        | 1,213           |
| Later than five years      | 2            | 128             |
|                            | <u>1,614</u> | <u>1,755</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 28 February 2017 the company was committed to buy 1,301,000,000 yen (2016: 879,000,000 yen) within 11 (2016: 11) 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.

**NOTES TO THE FINANCIAL STATEMENTS**  
*for the year ended 28 February 2017*

**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 £325,000 (2016: £276,000).

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 PARTIES**

During the year ended 28 February 2017 the company paid £910 (2016: £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 FRS102 "The financial reporting standard applicable in the UK and Republic of Ireland" section 33 "Related Party disclosures" 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.