COMPANY REGISTRATION NUMBER: 02292621

Surface Technology International Limited

Financial Statements

31 May 2016

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A11 05/01/2017 #260
COMPANIES HOUSE

MHA MACINTYRE HUDSON
Chartered accountant & statutory auditor
Moorgate House
201 Silbury Boulevard
Milton Keynes
England
MK9 1LZ

Surface Technology International Limited

Financial Statements

Year ended 31 May 2016

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Surface Technology International Limited

Officers and Professional Advisers

The board of directors	Mr S Best Mr C Lyon Mr A Best Mr N Davey Mr C S Petrie
Company secretary	Reid & Co Professional Services Limited
Registered office	Osborn Way Hook Hampshire RG27 9HX
Auditor	MHA MacIntyre Hudson Chartered accountant & statutory auditor Moorgate House 201 Silbury Boulevard Milton Keynes England MK9 1LZ
Bankers	Lloyds Bank 174 Fleet Road Fleet Hampshire GU51 4DD

Surface Technology International Limited

Strategic Report

Year ended 31 May 2016

The principal activity of the company during the year was that of the provision of assembly services for the electronics industry.

The directors consider the state of the company to be satisfactory and a review of the business is enclosed in the Chairman's statement within this report.

The directors believe the key performance indicators of the business to be gross profit and operating profit (before exceptional items) as a percentage of turnover. These key performance indicator's have been met in this financial year.

The future developments of the company are noted in the Chairman's Statement enclosed in this report.

The profit for the year, after taxation, amounted to £298,837. Particulars of dividends paid are detailed in note 12 to the financial statements.

The company's principal financial instruments comprise bank balances, trade creditors, trade debtors and finance lease agreements. The main purpose of these instruments is to raise funds and to finance the company's operations. Due to the nature of the financial instruments used by the company, there is no exposure to price risk. The company's approach to managing other risks applicable to the financial instruments concerned is shown below.

a)The company is a lessee in respect of finance leased assets. The liquidity risk in respect of these is managed by ensuring that there are sufficient funds to meet payments when they arise.

b)Trade debtors are managed in respect of credit and cash flow risk by policies concerning the credit offered to customers and the regular monitoring of amounts outstanding for both time and credit limits.

c)Trade creditors' liquidity risk is managed by ensuring sufficient funds are available to meet amounts due.

The company continues to invest in research and development and will do so into the foreseeable future.

It is the policy of the Company to settle terms of payment with suppliers on a timely basis in the ordinary course of business, and to agree appropriate terms and conditions in advance with its suppliers. The company endeavours to make payment in accordance with those terms and conditions provided that the supplier has complied with them. Suppliers and their payment terms are looked at on an individual basis and regularly reviewed. The company believes that the average payment period of suppliers is 60 days. A copy of the company's standard payment practice can be obtained from the company's premises.

Chairmans statement

The Company continued to grow and strengthen by broadening our service offering, with results broadly in line with expectations, turnover increasing by 17.7%, with profits below expectations, affected by issues with several large contracts.

As we continue to integrate our recent acquisitions, significant growth is forecast on a string of new business wins. Our research and development business is growing very rapidly, delivering manufacturing opportunities in several new markets.

As we face new world challenges, we are confident our future looks positive for future growth and a return to normal profitability.

The Directors are keen to acknowledge the key contributions of the Company's Management team and all its personnel and pay tribute to their continued hard work in building the company for an exciting future. We will endeavour to continually outperform our customer expectations and constantly strive to improve further our relationships with our customers, suppliers and our employees.

This report was approved by the board of directors on 19 December 2016 and signed on behalf of the board by:



Mr S Best
Director

Surface Technology International Limited

Directors' Report

Year ended 31 May 2016

The directors present their report and the financial statements of the company for the year ended 31 May 2016.

Directors

The directors who served the company during the year were as follows:

Mr S Best
Mr C Lyon
Mr A Best
Mr N Davey
Mr C S Petrie (Appointed 15 March 2016)

Dividends

Particulars of recommended dividends are detailed in note 12 to the financial statements.

Future developments

Future developments of the company have been disclosed in the strategic report.

Employment of disabled persons

The company gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a handicapped or disabled person. Where existing employees become disabled, it is the company's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to disabled employees wherever appropriate.

Employee involvement

During the year, the policy of providing employees with information about the company has been continued through internal media methods in which employees have also been encouraged to present their suggestions and views on the company's performance. Regular meetings are held between local management and employees to allow a free flow of information and ideas. Employees participate directly in the success of the business through the company's profit sharing schemes.

Events after the end of the reporting period

Particulars of events after the reporting date are detailed in note 28 to the financial statements.

Directors' responsibilities statement

The directors are responsible for preparing the strategic report, directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditor

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as they are aware, there is no relevant audit information of which the company's auditor is unaware; and
- they have taken all steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This report was approved by the board of directors on 19 December 2016 and signed on behalf of the board by:

Mr S Best
Director

Surface Technology International Limited

Independent Auditor's Report to the Members of Surface Technology International Limited

Year ended 31 May 2016

We have audited the financial statements of Surface Technology International Limited for the year ended 31 May 2016 which comprise the statement of income and retained earnings, statement of financial position and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

This report is made solely to the company's members, as a body, in accordance with chapter 3 of part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the strategic report and the directors' report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 May 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent Auditor's Report to the Members of Surface Technology International Limited *(continued)*

Year ended 31 May 2016

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.

Steven Moore BA ACA (Senior Statutory Auditor)

For and on behalf of
MHA MacIntyre Hudson
Chartered accountant & statutory auditor
Moorgate House
201 Silbury Boulevard
Milton Keynes
England
MK9 1LZ

23 December 2016.

Surface Technology International Limited

Statement of Income and Retained Earnings

Year ended 31 May 2016

	Note	2016 £	2015 *(restated)* £
Turnover	4	**53,775,447**	45,703,938
Cost of sales		**39,474,988**	33,698,060
Gross profit		**14,300,459**	12,005,878
Administrative expenses		**13,610,425**	10,362,736
Other operating income	5	**201,665**	111,200
Operating profit	6	**891,699**	1,754,342
Interest payable and similar charges	10	**470,773**	425,195
Profit on ordinary activities before taxation		**420,926**	1,329,147
Tax on profit on ordinary activities	11	**122,089**	321,394
Profit for the financial year and total comprehensive income		**298,837**	1,007,753
Dividends paid and payable	12	**(275,617)**	(18,000)
Retained earnings at the start of the year		**8,313,540**	7,323,787
Retained earnings at the end of the year		**8,336,760**	8,313,540

All the activities of the company are from continuing operations.

The notes on pages 11 to 23 form part of these financial statements.

Surface Technology International Limited

Statement of Financial Position

31 May 2016

	Note	2016 £	2016 £	2015 (restated) £
Fixed assets				
Negative goodwill	13		**(2,651,363)**	(3,343,023)
Tangible assets	14		**4,700,351**	5,749,771
			2,048,988	2,406,748
Current assets				
Stocks	15	**13,041,314**		13,272,953
Debtors	16	**19,972,954**		16,843,274
Cash at bank and in hand		**511**		987
		33,014,779		30,117,214
Creditors: amounts falling due within one year	17	**25,191,398**		21,130,664
Net current assets			**7,823,381**	8,986,550
Total assets less current liabilities			**9,872,369**	11,393,298
Creditors: amounts falling due after more than one year	18		**400,376**	1,452,413
Provisions				
Taxation including deferred tax	20	**275,839**		239,596
Other provisions	20	**258,794**		787,149
			534,633	1,026,745
Net assets			**8,937,360**	8,914,140
Capital and reserves				
Called up share capital	25		**125,600**	125,600
Share premium account	26		**375,000**	375,000
Capital redemption reserve	26		**100,000**	100,000
Profit and loss account	26		**8,336,760**	8,313,540
Members funds			**8,937,360**	8,914,140

The statement of financial position continues on the following page.

The notes on pages 11 to 23 form part of these financial statements.

Statement of Financial Position *(continued)*

31 May 2016

These financial statements were approved by the board of directors and authorised for issue on 19 December 2016, and are signed on behalf of the board by:



Mr S Best
Director

Company registration number: 02292621

Surface Technology International Limited

Notes to the Financial Statements

Year ended 31 May 2016

1. General information

The company is a private company limited by shares, registered in England and Wales. The address of the registered office is Osborn Way, Hook, Hampshire, RG27 9HX.

2. Statement of compliance

These financial statements have been prepared in compliance with FRS 102, 'The Financial Reporting Standard applicable in the UK and the Republic of Ireland'.

3. Accounting policies

Basis of preparation

The financial statements have been prepared on the historical cost basis, as modified by the revaluation of certain financial assets and liabilities and investment properties measured at fair value through profit or loss.

The financial statements are prepared in sterling, which is the functional currency of the entity.

Work in progress

Work in progress is valued on the basis of direct costs plus attributable overheads based on normal level of activity. Provision is made for any foreseeable losses where appropriate. No element of profit is included in the valuation of work in progress.

Going concern

The continuing support of the company's bankers and shareholders is fundamental to the company's ability to achieve its planned objectives and hence to continue to trade. The Directors are satisfied that it is reasonable to assume that such support will continue for the foreseeable future.

The financial statements do not include adjustments that would result if the company were unable to continue as a going concern.

Research and development

Research and development expenditure is written off in the year in which it is incurred.

Transition to FRS 102

The entity transitioned from previous UK GAAP to FRS 102 as at 1 June 2014. Details of how FRS 102 has affected the reported financial position and financial performance is given in note 32.

Disclosure exemptions

The entity satisfies the criteria of being a qualifying entity as defined in FRS 102. Its financial statements are consolidated into the financial statements of STI Enterprises Limited. As such, advantage has been taken of the following disclosure exemptions available under paragraph 1.12 of FRS 102: No cash flow statement has been presented for the company.

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

Judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 2, 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.

There are no key judgements. The key estimates include depreciation, amortisation, stock provisions and dilapidation provisions.

Revenue recognition

Turnover is measured at the fair value of the consideration received or receivable for goods supplied and services rendered, net of discounts and Value Added Tax.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership have transferred to the buyer (usually on despatch of the goods); the amount of revenue can be measured reliably; it is probable that the associated economic benefits will flow to the entity; and the costs incurred or to be incurred in respect of the transactions can be measured reliably.

Income tax

The taxation expense represents the aggregate amount of current and deferred tax recognised in the reporting period. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, tax is recognised in other comprehensive income or directly in equity, respectively.

Current tax is recognised on taxable profit for the current and past periods. Current tax is measured at the amounts of tax expected to pay or recover using the tax rates and laws that have been enacted or substantively enacted at the reporting date.

Deferred tax is recognised in respect of all timing differences at the reporting date. Unrelieved tax losses and other deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

Foreign currencies

Foreign currency transactions are initially recorded in the functional currency, by applying the spot exchange rate as at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate ruling at the reporting date, with any gains or losses being taken to the profit and loss account.

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

Operating leases

Lease payments are recognised as an expense over the lease term on a straight-line basis. The aggregate benefit of lease incentives is recognised as a reduction to expense over the lease term, on a straight-line basis.

Goodwill

Negative goodwill is recognised in the statement of income and retained earnings in the periods in which the non-monetary assets are recovered.

Amortisation

Amortisation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful life of that asset as follows:

Negative Goodwill	-	over 5 years

If there is an indication that there has been a significant change in amortisation rate, useful life or residual value of an intangible asset, the amortisation is revised prospectively to reflect the new estimates.

Tangible assets

Tangible assets are initially recorded at cost, and subsequently stated at cost less any accumulated depreciation and impairment losses. Any tangible assets carried at revalued amounts are recorded at the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

An increase in the carrying amount of an asset as a result of a revaluation, is recognised in other comprehensive income and accumulated in equity, except to the extent it reverses a revaluation decrease of the same asset previously recognised in profit or loss. A decrease in the carrying amount of an asset as a result of revaluation, is recognised in other comprehensive income to the extent of any previously recognised revaluation increase accumulated in equity in respect of that asset. Where a revaluation decrease exceeds the accumulated revaluation gains accumulated in equity in respect of that asset, the excess shall be recognised in profit or loss.

Depreciation

Depreciation is calculated so as to write off the cost or valuation of an asset, less its residual value, over the useful economic life of that asset as follows:

Leasehold property	-	over life of lease
Fixtures & fittings	-	10-33% per annum
Motor vehicles	-	25% per annum

3. Accounting policies *(continued)*

Impairment of fixed assets

A review for indicators of impairment is carried out at each reporting date, with the recoverable amount being estimated where such indicators exist. Where the carrying value exceeds the recoverable amount, the asset is impaired accordingly. Prior impairments are also reviewed for possible reversal at each reporting date.

For the purposes of impairment testing, when it is not possible to estimate the recoverable amount of an individual asset, an estimate is made of the recoverable amount of the cash-generating unit to which the asset belongs. The cash-generating unit is the smallest identifiable group of assets that includes the asset and generates cash inflows that largely independent of the cash inflows from other assets or groups of assets.

Stocks

Stocks are measured at the lower of cost and estimated selling price less costs to complete and sell. Cost includes all costs of purchase, costs of conversion and other costs incurred in bringing the stock to its present location and condition.

Finance leases and hire purchase contracts

Assets held under finance leases and hire purchase contracts are recognised in the statement of financial position as assets and liabilities at the lower of the fair value of the assets and the present value of the minimum lease payments, which is determined at the inception of the lease term. Any initial direct costs of the lease are added to the amount recognised as an asset.

Lease payments are apportioned between the finance charges and reduction of the outstanding lease liability using the effective interest method. Finance charges are allocated to each period so as to produce a constant rate of interest on the remaining balance of the liability.

Provisions

Provisions are recognised when the entity has an obligation at the reporting date as a result of a past event, it is probable that the entity will be required to transfer economic benefits in settlement and the amount of the obligation can be estimated reliably. Provisions are recognised as a liability in the statement of financial position and the amount of the provision as an expense.

Provisions are initially measured at the best estimate of the amount required to settle the obligation at the reporting date and subsequently reviewed at each reporting date and adjusted to reflect the current best estimate of the amount that would be required to settle the obligation. Any adjustments to the amounts previously recognised are recognised in profit or loss unless the provision was originally recognised as part of the cost of an asset. When a provision is measured at the present value of the amount expected to be required to settle the obligation, the unwinding of the discount is recognised as a finance cost in profit or loss in the period it arises.

Financial instruments

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as either financial assets, financial liabilities or equity instruments. an equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

3. Accounting policies *(continued)*

Defined contribution plans

Contributions to defined contribution plans are recognised as an expense in the period in which the related service is provided. Prepaid contributions are recognised as an asset to the extent that the prepayment will lead to a reduction in future payments or a cash refund.

When contributions are not expected to be settled wholly within 12 months of the end of the reporting date in which the employees render the related service, the liability is measured on a discounted present value basis. The unwinding of the discount is recognised as a finance cost in profit or loss in the period in which it arises.

4. Turnover

Turnover arises from:

	2016	2015 *(restated)*
	£	£
Sale of goods	**52,696,622**	45,403,938
Income from research and development	**1,078,825**	300,000
	53,775,447	45,703,938

The turnover is attributable to the one principal activity of the company. An analysis of turnover by the geographical markets that substantially differ from each other is given below:

	2016	2015 *(restated)*
	£	£
United Kingdom	**44,725,959**	42,844,116
Overseas	**9,049,488**	2,859,822
	53,775,447	45,703,938

5. Other operating income

	2016	2015 *(restated)*
	£	£
Other operating income	**201,665**	111,200

6. Operating profit

Operating profit or loss is stated after charging:

	2016	2015 *(restated)*
	£	£
Amortisation of intangible assets	**(691,660)**	(115,277)
Depreciation of tangible assets	**1,640,600**	1,013,450
Gains on disposal of tangible assets	**(290,403)**	–
Impairment of trade debtors	**200,614**	21,490
Operating lease rentals	**36,366**	26,250
Foreign exchange differences	**239,419**	(23,239)
Research and development expenditure written off	**2,734,180**	2,622,494

7. Auditor's remuneration

	2016	2015 *(restated)*
	£	£
Fees payable for the audit of the financial statements	**20,000**	20,000

8. Staff costs

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

	2016	2015
	No.	No.
Production staff	**404**	392
Administrative staff	**36**	36
Sales staff	**31**	31
	471	459

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

	2016	2015 *(restated)*
	£	£
Wages and salaries	**13,495,706**	11,493,019
Social security costs	**696,690**	561,511
Other pension costs	**541,133**	426,500
	14,733,529	12,481,030

All key management personnel are directors.

9. Directors' remuneration

The directors aggregate remuneration in respect of qualifying services was:

	2016	2015 *(restated)*
	£	£
Remuneration	**367,384**	309,661
Company contributions to defined contribution pension plans	**108,432**	79,907
	475,816	389,568

The number of directors who accrued benefits under company pension plans was as follows:

	2016	2015 *(restated)*
	No.	No.
Defined contribution plans	**5**	4

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

	2016	2015 *(restated)*
	£	£
Aggregate remuneration	**135,542**	117,611
Company contributions to defined contribution pension plans	**91,914**	64,970
	227,456	182,581

10. Interest payable and similar charges

	2016	2015 *(restated)*
	£	£
Interest on banks loans and overdrafts	**248,847**	256,457
Interest on obligations under finance leases and hire purchase contracts	**57,674**	4,470
Other interest payable and similar charges	**164,252**	164,268
	470,773	425,195

11. Tax on profit on ordinary activities

Major components of tax expense

	2016	2015 *(restated)*
	£	£
Current tax:		
UK current tax expense	**85,846**	287,777
Adjustments in respect of prior periods	**–**	28,880
Total current tax	**85,846**	316,657

11. Tax on profit on ordinary activities *(continued)*

	2016	2015 *(restated)*
	£	£
Deferred tax:		
Origination and reversal of timing differences	**36,243**	4,737
Tax on profit on ordinary activities	**122,089**	321,394

Reconciliation of tax expense

The tax assessed on the profit on ordinary activities for the year is higher than (2015: higher than) the standard rate of corporation tax in the UK of 20% (2015: 21%).

	2016	2015 *(restated)*
	£	£
Profit on ordinary activities before taxation	**420,926**	1,329,147
Profit on ordinary activities by rate of tax	**84,185**	279,121
Adjustment to tax charge in respect of prior periods	**–**	28,880
Effect of expenses not deductible for tax purposes	**36,283**	31,361
Effect of capital allowances and depreciation	**(17,453)**	(20,396)
Effect of revenue exempt from tax	**(17,169)**	–
Effect of different UK tax rates on some earnings	**–**	(2,309)
Tax on profit on ordinary activities	**85,846**	316,657

12. Dividends

	2016	2015 *(restated)*
	£	£
Dividends paid during the year (excluding those for which a liability existed at the end of the prior year)	**275,617**	18,000

13. Intangible assets

	Goodwill £
Cost	
At 1 Jun 2015 (as restated) and 31 May 2016	**(3,458,300)**
Amortisation	
At 1 June 2015	**(115,277)**
Charge for the year	**(691,660)**
At 31 May 2016	**(806,937)**
Carrying amount	
At 31 May 2016	**(2,651,363)**
At 31 May 2015	(3,343,023)

14. Tangible assets

	Leasehold property £	Fixtures and fittings £	Motor vehicles £	**Total £**
Cost				
At 1 June 2015 (as restated)	368,689	14,819,081	36,361	**15,224,131**
Additions	–	712,857	–	**712,857**
Disposals	–	(274,951)	–	**(274,951)**
At 31 May 2016	368,689	15,256,987	36,361	**15,662,037**
Depreciation				
At 1 June 2015	368,689	9,069,310	36,361	**9,474,360**
Charge for the year	–	1,640,600	–	**1,640,600**
Disposals	–	(153,274)	–	**(153,274)**
At 31 May 2016	368,689	10,556,636	36,361	**10,961,686**
Carrying amount				
At 31 May 2016	–	4,700,351	–	**4,700,351**
At 31 May 2015	–	5,749,771	–	5,749,771

Finance leases and hire purchase contracts

Included within the carrying value of tangible assets are the following amounts relating to assets held under finance leases or hire purchase agreements:

	Fixtures and fittings £
At 31 May 2016	**540,996**
At 31 May 2015	314,059

15. Stocks

	2016 £	2015 *(restated)* £
Raw materials and consumables	**12,508,314**	12,144,123
Work in progress	**533,000**	1,128,830
	13,041,314	13,272,953

The amount of stock recognised as an expense during the period was £30,714,070 (2015: £25,7696,015)

16. Debtors

	2016	2015 *(restated)*
	£	£
Trade debtors	**10,717,480**	9,336,535
Amounts owed by group undertakings	**7,677,754**	5,828,747
Prepayments and accrued income	**568,478**	875,353
Corporation tax repayable	**951,919**	544,727
Other debtors	**57,323**	257,912
	19,972,954	16,843,274

17. Creditors: amounts falling due within one year

	2016	2015 *(restated)*
	£	£
Bank loans and overdrafts	**11,757,356**	9,252,965
Trade creditors	**8,991,058**	6,323,651
Amounts owed to group undertakings	**–**	8,785
Accruals and deferred income	**1,866,235**	2,344,585
Social security and other taxes	**690,946**	1,369,661
Obligations under finance leases and hire purchase contracts	**167,825**	73,981
Director loan accounts	**1,493,942**	1,729,778
Other creditors	**224,036**	27,258
	25,191,398	21,130,664

The bank overdraft and loan are secured over the leasehold premises of the company and a fixed and floating charge over the assets of the company. Hire purchase agreements are secured over the assets to which they relate.

18. Creditors: amounts falling due after more than one year

	2016	2015 *(restated)*
	£	£
Bank loans and overdrafts	**–**	1,233,756
Obligations under finance leases and hire purchase contracts	**400,376**	218,657
	400,376	1,452,413

19. Finance leases and hire purchase contracts

The total future minimum lease payments under finance leases and hire purchase contracts are as follows:

	2016	2015 *(restated)*
	£	£
Not later than 1 year	**167,825**	73,981
Later than 1 year and not later than 5 years	**400,376**	218,657
	568,201	292,638

20. Provisions

	Warranties	Deferred tax (note 21)	Dilapidation	**Total**
	£	£	£	**£**
At 1 June 2015 (as restated)	150,000	239,596	637,149	**1,026,745**
Additions	–	36,243	–	**36,243**
Charge against provision	–	–	(378,355)	**(378,355)**
Unused amounts reversed	(150,000)	–	–	**(150,000)**
At 31 May 2016	–	275,839	258,794	**534,633**

21. Deferred tax

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

	2016	2015 *(restated)*
	£	£
Included in provisions (note 20)	**275,839**	239,596

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

	2016	2015 *(restated)*
	£	£
Accelerated capital allowances	**275,839**	239,596

22. Employee benefits

Defined contribution plans

The amount recognised in profit or loss as an expense in relation to defined contribution plans was £541,133 (2015: £426,500).

There are no contributions outstanding at the year end.

23. Financial instruments

All financial instruments are held at amortised cost.

24. Prior period errors

Stock included in the financial statements for the year ended 31 May 2015 was overstated by £3,467,297 due to project costs not being released into the profit and loss upon completion. As a result, costs incurred in prior periods have not been matched to relevant revenues and profit has been overstated. This also resulted in an overpayment of the Company's corporation tax. After the reclaim of taxation, the overall reduction of net assets in the 2015 financial statements due to the prior period error is £2,676,939.

25. Called up share capital

Issued, called up and fully paid

	2016		2015 *(restated)*	
	No.	**£**	No.	£
Ordinary shares of £1 each	**125,000**	**125,000**	125,000	125,000
A - F Ordinary shares of £1 each	**600**	**600**	600	600
	125,600	**125,600**	125,600	125,600

The 'A' - 'F' Ordinary shares of £1 each shall rank in all respects pari passu with the existing Ordinary shares of £1 each in the capital of the company save that the holders of the 'A' - 'F' Ordinary shares shall not be entitled to attend or vote at general meetings of the company nor to participate in any distribution of assets on the winding up of the company. The 'A' - 'F' Ordinary shareholders shall not be entitled to receive dividends declared on the ordinary share capital of the company, but be entitled to receive preferential dividends as agreed by the Board of Directors.

26. Reserves

Share premium account - This reserve records the amount above the nominal value received for shares issued, less transaction costs.

Capital redemption reserve - This reserve records the nominal value of shares repurchased by the company.

Profit and loss account - This reserve records retained earnings and accumulated losses.

27. Operating leases

The total future minimum lease payments under non-cancellable operating leases are as follows:

	2016	2015 *(restated)*
	£	£
Not later than 1 year	**881,972**	768,529
Later than 1 year and not later than 5 years	**2,398,818**	2,526,156
Later than 5 years	**280,050**	841,452
	3,560,840	4,136,137

28. Events after the end of the reporting period

As a result of the prior year adjustment described in note 24, the company breached certain covenants in relation to finance extended by the company's bankers. As a result of this breach loan balances repayable after more than one year after the balance sheet date, amounting to £600,000, have been disclosed in creditors falling due within one year in these financial statements. On 21 November 2016, the company's bankers confirmed that the bank has waived its right to declare the loan as repayable on demand arising from the breach of the covenant and the loan will therefore be repaid in accordance with the terms of the loan agreement.

29. Directors' advances, credits and guarantees

At the year end date the director Mr A Best was owed £1,461,290 (2015 - £1,611,290). Interest is calculated annually at a rate of 5% above Bank of England base rate on the month end balance. The interest charged on the loan for this year was £81,311 (2015 - £74,153). At the year end date the director Mr S Best was owed £32,652 (2015 - £118,488). There has been no interest charged on this loan to date.

30. Related party transactions

In the opinion of the Board, the company is controlled during this year by Mr S Best, the director and majority shareholder in the holding company.

At the balance sheet date £Nil (2015 - £63,533) was owed by ISL Asia, a company in which Mr S Best has a shareholding. During the year a loan of £1,174 and trade debtor balance of £66,127 was written off as not recoverable.

At the balance sheet date £12,037 (2015 - £12,037) was owed by STI Capital Limited, a company in which Mr S Best and Mr A Best are directors and have control of.

During the year goods of £19,200 (2015 - £Nil) were purchased from and goods of £38,799 (2015 - £5,310) sold to Cardionetics Limited, a company in which Mr S Best and Mr A Best are directors of and control, in the normal course of business. At the balance sheet date £28,126 (2015 - £39,231) was owed by Cardionetics Limited.

At the balance sheet date £Nil (2015 - £61,455) was owed by STI Ecotech Limited, a company in which Mr S Best and Mr A Best are directors of and control. During the year a loan of £17,758 and trade debtor balance of £74,313 was written off as not recoverable.

The company has taken advantage of the exemption conferred by the Financial Reporting Standard 102 not to disclose transactions with members of the group headed by STI Enterprises Limited.

31. Controlling party

On the 2nd June 2011, the directors exchanged their shares in Surface Technology International Limited for shares in STI Enterprises plc the parent and ultimate controlling company. On the 21st November 2016, STI Enterprises plc changed its name to STI Enterprises Limited. The consolidated accounts are available from the registered office of STI Enterprises Limited.

32. Transition to FRS 102

These are the first financial statements that comply with FRS 102. The company transitioned to FRS 102 on 1 June 2014.

No transitional adjustments were required in equity or profit or loss for the year.