

SMD Robotics Limited

Report and Financial Statements

31 December 2015



Directors

A Hodgson
R H Howarth
W Wang
D Zhu

Secretary

R H Howarth

Auditors

Ernst & Young LLP
Citygate
St James' Boulevard
Newcastle upon Tyne
NE1 4JD

Bankers

HSBC Plc
Maingate
Kingsway North
Team Valley
Gateshead
NE11 0BE

Barclays Bank Plc
City Office
71 Grey Street
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NE99 1JP

Registered Office

Turbinia Works
Davy Bank
Wallsend
Tyne and Wear
NE28 6UZ

Registered No. 07057310

Directors' report

The directors present their report and financial statements for the year ended 31 December 2015.

Results and dividends

The profit for the year after taxation amounted to £65,829 (the Company did not trade in 2014). The directors do not recommend a final dividend (2014 – £nil).

Principal activities

In recent financial periods the Company has not engaged in any trading activities, due to the decision taken to transfer the activities of SMD Robotics to other group undertakings. However, SMD Robotics has traded in 2015 through providing technical support to remotely operated vehicles.

These financial statements are the first presented using Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101). The Company transitioned to FRS 101 from the previously applicable UK GAAP as at 1 January 2014. There is no impact of transition to FRS 101 at either 1 January 2014 or 31 December 2014 due to there being no significant accounting policy differences.

Going concern

The directors have prepared the financial statements on a going concern basis on the grounds that the Company expects to meet its liabilities as they fall due. Whilst the Company is in a net liabilities position, the liabilities owed are to other fully owned members of the Specialist Machine Developments (SMD) Group and the directors are confident these obligations will be settled within the Group accordingly. The directors have reached this conclusion after undertaking a detailed review of the Company's trading and cash flow forecasts and the financial facilities available to the Company.

Directors

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

A Hodgson	
A D Sims	(resigned 5 February 2016)
C J Gill	(resigned 9 April 2015)
W Wang	(appointed 9 April 2015)
D Zhu	(appointed 9 April 2015)
R H Howarth	(appointed 5 May 2016)

Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the Company's auditor, each director has taken all the steps that they are obliged to take as directors in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Special provisions relating to small companies

The Company has taken exemption from the preparation of a strategic report under section 414B of the Companies Act 2006.

Auditors

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

On behalf of the Board



R H Howarth
Director

30 September 2016

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 101 'Reduced Disclosure Framework'. 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 estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

Independent auditors' report to the members of SMD Robotics Limited

We have audited the financial statements of SMD Robotics Limited 31 December 2015 which comprise the Income Statement, Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity and the related notes 1 to 14. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Generally Accepted Accounting Practice (UKGAAP), including Financial Reporting Standard 101 'Reduced Disclosure Framework'.

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Report and Financial Statements 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 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 31 December 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 'Reduced Disclosure Framework'; 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 Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent auditors' report to the members of SMD Robotics Limited

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.
- the directors were not entitled to take advantage of the small companies' exemption in not preparing the strategic report.

Ernst + Young LLP

Moira Ann Lawrence (Senior statutory auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor

Newcastle upon Tyne

30 SEPTEMBER 2016

Income statement

for the year ended 31 December 2015

	Note	2015 £	2014 £
Revenue	4	293,351	-
Cost of sales		(210,482)	-
Gross profit		82,869	-
Administration expenses		(328)	-
Profit before tax	5	82,541	-
Tax	6	(16,712)	-
Profit for the year		65,829	-

All amounts relate to continuing activities.

Statement of comprehensive income

There is no recognised other comprehensive income other than the profit attributable to the shareholders of the company of £65,829 in the year ended 31 December 2015 (2014 profit of £nil).

Statement of changes in equity

at 31 December 2015

	Share capital £	Retained deficit £	Total equity £
At 1 January 2014	1	(604,408)	(604,407)
Profit for the year	-	-	-
At 31 December 2014	1	(604,408)	(604,407)
Profit for the year	-	65,829	65,829
At 31 December 2015	1	(538,579)	(538,578)

Balance sheet

at 31 December 2015

	Note	2015 £	2014 £
Assets			
Fixed assets			
Tangible assets	7	-	-
Current assets			
Debtors amounts falling due within one year	8	262,014	36,811
Cash and cash equivalents	9	1,386	1,416
		263,400	38,227
Creditors: amounts falling due within one year	10	(801,978)	(642,634)
Net liabilities		(538,578)	(604,407)
Equity			
Share capital	11	1	1
Retained deficit		(538,579)	(604,408)
Total equity		(538,578)	(604,407)

The financial statements were approved by the Board of Directors on 30 September 2016 and signed on its behalf by



R H Howarth
Director

Notes to the financial statements

at 31 December 2015

1. General information and statement of compliance with IFRS

The financial statements of SMD Robotics Limited (the "Company") for the year ended 31 December 2015 were authorised for issue in accordance with a resolution of the directors on 30 September 2016. SMD Robotics Limited is a private limited company incorporated and domiciled in the United Kingdom with the registered office at Turbinia Works, Davy Bank, Wallsend, Tyne and Wear.

The Company is principally engaged in providing technical support to remotely operated vehicles. At the beginning of the year, the Company's ultimate controlling party was Inflexion GP Limited. On 9 April 2015 the entire share capital of the SMD Group was acquired by CSR Times Electric (Hong Kong) Co., Ltd (now named CRRC Times Electric (Hong Kong) Co., Ltd, a holding company within the CRRC Group which is incorporated in the People's Republic of China (PRC). The Directors consider this company as the ultimate controlling party at the end of the year.

2. Accounting policies

Basis of preparation

The financial statements of SMD Offshore Support Limited have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (UKGAAP) FRS 101. These are the first financial statements prepared in accordance with FRS 101 where adjustments required on transition are disclosed in Note 14. The Company has taken advantage of the following disclosure exemptions under FRS 101:

- a) The requirements of IFRS 7 Financial Instrument Disclosures and equivalent disclosures are included in the consolidated financial statements of Specialist Machine Developments (SMD) Limited, in which the entity is consolidated.
- b) The requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement and equivalent disclosures are included in the financial statements of Specialist Machine Developments (SMD) Limited, in which the entity is consolidated.
- c) The requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
 - i. paragraph 79(a)(iv) of IAS 1;
 - ii. paragraph 73(e) of IAS 16 Property, Plant and Equipment;
- d) The requirements of paragraphs 10(d), 10(f) 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements;
- e) The requirements of IAS 7 Statement of Cash Flows;
- f) The requirements of paragraphs 17 and 18A of IAS 24 Related Party Disclosures;
- g) The requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member;
- h) The requirements of IFRS 1 First-time Adoption of International Financial Reporting Standards paragraphs 6 to 21 to present an opening statement of financial position at transition.

The financial statements have been prepared using the significant accounting policies and measurement bases that are in effect at the end of the reporting period on 31 December 2015 as defined below. These were in effect throughout all periods presented in the financial statements, except where the Company has applied certain accounting policies and exemptions upon transition to FRS 101.

Going concern

The directors have prepared the financial statements on a going concern basis on the grounds that the Company expects to meet its liabilities as they fall due. Whilst the Company is in a net liabilities position, the liabilities owed are to other fully owned members of the Specialist Machine Developments (SMD) Group and the directors are confident these obligations will be settled within the Group accordingly. The directors have reached this conclusion after undertaking a detailed review of the Company's trading and cash flow forecasts and the financial facilities available to the Company.

Revenue

All revenue consists of sales of spare parts and support services that are recognised in accordance with IAS 18.

Tangible fixed assets

All property, plant and equipment are recorded at cost less accumulated depreciation and any provision for impairment. Depreciation is calculated so as to write off the cost of the asset, less its estimated residual value, over the useful economic life of that asset as follows:

Fixtures and fittings	–	5 years
Motor vehicles	–	4 years
Equipment	–	3 years

Freehold land is not depreciated.

Deferred taxation

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Foreign currencies

The financial statements are presented in GBP Sterling (£) which is also the functional currency of the Company and has remained unchanged during the reporting period.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-measurement of monetary items denominated in foreign currency at year-end exchange rates are recognised in profit or loss. Non-monetary items are not retranslated at year-end and are measured at historical cost (translated using the exchange rates at the transaction date), except for non-monetary items measured at fair value.

3. Significant accounting judgements, estimates and assumptions

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, the accompanying disclosures, and the disclosure of the contingent liabilities.

In the process of applying the Company's accounting policies, management has made the following judgements, estimates and assumptions which have the most significant effect on the amounts recognised in the consolidated financial statements:

Bad debt provision

As the Company's main source of revenue is derived support services to remotely operated vehicles, revenue and debtors can fluctuate significantly from year to year depending on market conditions at the time. Bad debt is therefore judged on a case by case basis, as a flat rate percentage provision would not fairly represent the recoverability.

In arriving at the bad debt provision, management perform a review of all debtors and assesses the likelihood the carrying value can be recovered, factoring in both feedback from the customer and the ability for the customer to settle the debt. Should the recoverable amount be lower than the carrying value, the Company recognises a specific provision.

Contingent liabilities

The Company is party to guarantees which include clawback provisions which may be triggered if the Company fails to satisfy a set of specified conditions for a period of time. This may result in an obligation for the Company to repay all or part of a grant that has previously been received. As at 31 December 2015 management made an assessment on the likelihood of circumstances of this nature arising, considering the current and forecasted future performance of its products and the Company's ability to comply with the specific conditions. The assessment found the extent of the guarantees was £2,030,148 consisting of bonds only and no specific contract claw backs were identified. The likelihood of any bonds materialising were deemed remote and as result the Company have disclosed this as a contingent liability only.

4. Revenue

An analysis of revenue by geographical market is given below:

	2015 £	2014 £
United Kingdom	31,337	-
Overseas	262,014	-
	<u>293,351</u>	<u>-</u>

5. Profit before tax

The Company's audit fee was borne by a fellow group undertaking during the year. The directors estimate that £3,440 (2014 – £nil) can be apportioned as relating to the audit of the Company.

The directors are also directors of the ultimate parent undertaking and all remuneration for the period was paid by Soil Machine Dynamics Limited. The directors believe that £nil (2014 – £nil) should be apportioned as relating to services as directors of the Company.

6. Income Tax

The major components of income tax expense for 2014 and 2015 are as follows:

(a) Income Statement

	2015 £	2014 £
Current income tax:		
Group relief payable	16,712	-
Total income tax charge in the income statement	<u>16,712</u>	<u>-</u>

(b) Reconciliation of tax charge to profit before tax

	2015 £	2014 £
Profit before income tax	82,541	-
Tax on loss at standard UK tax rate of 20.25% (2014: 21.49%)	16,712	-
Total income tax charge in the income statement	<u>16,712</u>	<u>-</u>

The Company offsets tax assets and liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same tax authority.

The Company has no tax losses that are available for offsetting against future taxable profits of the companies within the SMD Group.

(c) Change in corporation tax rate

On 1 April 2015 the UK corporation tax rate was reduced to 20%, a hybrid rate of 20.25% therefore applies to current tax liabilities arising during the year.

The UK government has announced its intention to reduce the UK corporation tax rate to 19% by 1 April 2017 and further to 18% by 1 April 2020. Both rate changes have now been substantively enacted. Subsequent to these changes the government announced its intention to reduce the UK corporation tax rate to 17% by 1 April 2020 instead of the 17% previously announced, this change is yet to be substantively enacted.

7. Tangible fixed assets

	<i>Fixtures and fittings</i> £	<i>Motor vehicles</i> £	<i>Equipment</i> £	<i>Total</i> £
Cost:				
At 1 January 2015 and 31 December 2015	4,999	20,000	35,000	59,999
Depreciation:				
At 1 January 2015 and 31 December 2015	(4,999)	(20,000)	(35,000)	(59,999)
Net book value:				
At 1 January 2015 and 31 December 2015	-	-	-	-

8. Trade debtors

	2015 £	2014 £
Trade debtors	262,014	-
Amounts owed by group undertakings	-	36,811
	<u>262,014</u>	<u>36,811</u>

9. Cash and cash equivalents

	2015 £	2014 £
Cash at bank and on hand	<u>1,386</u>	<u>1,416</u>

Cash at banks earns interest at floating rates based on daily bank deposit rates. On 9 April 2015 the revolving credit facility provided by Barclays Bank plc to the Group (of which the Company is party to) was terminated. On the same date the Company was party to an agreement with HSBC Bank plc to provide an overdraft facility of £10,000,000 and a separate credit facility of up to £15,000,000 for the issue of letters of credit, including bonds, with any part of the facility not drawn in this form available to be utilised for cash.

At 31 December 2015 the Group utilised £1,818,546 of the overdraft facility and had bonds with an aggregate value of £2,030,148 outstanding, disclosed as a contingent liability in Note 12.

Borrowings under the facilities agreement are secured by debentures providing fixed and floating charges over all assets, both present and future of the companies comprising the Specialist Machine Developments (SMD) Limited Group, which includes the Company. The facilities agreement, which includes the overdraft and letters of credit was reviewed on 2 March 2016, the outcome of which was to continue under the same arrangement for the next 12 months.

10. Trade and other creditors

	2015 £	2014 £
Amounts owed to group undertakings	726,089	642,634
Accruals and deferred income	75,889	-
	<u>801,978</u>	<u>642,634</u>

11. Issued share capital

	No.	2015 £	No.	2014 £
Allotted, called up and fully paid				
Ordinary shares of £1 each	1	<u>1</u>	1	<u>1</u>

12. Contingent liabilities

	2015 £	2014 £
Guarantees (bonding)	2,030,148	6,301,336

At the end of the year the Company was party to cross guarantees with other undertakings in the Specialist Machine Developments (SMD) Limited Group in respect of £2,030,148 (2014 – £6,301,336) of bid bonds, advance payment guarantees and performance bonds issued by its banks to third parties on its behalf.

The Company is subject to a debenture providing fixed and floating charges over its assets as security against the borrowings of the Specialist Machine Developments (SMD) Limited group.

13. Ultimate parent undertaking and controlling party

The directors consider that up to 9 April 2015 Inflexion GP Limited, incorporated in the United Kingdom and registered in England and Wales, to be the Company's ultimate controlling party. It managed the investment funds which owned the majority of the ordinary equity shares in the Specialist Machine Developments (SMD) Limited group. Copies of the Specialist Machine Developments (SMD) Limited's financial statements can be obtained from the registered office, Turbinia Works, Davy Bank, Wallsend, Tyne and Wear.

On 9 April 2015 the entire share capital of the Group was acquired by CRRC Times Electric (Hong Kong) Co., Ltd incorporated in the People's Republic of China (PRC). The Directors consider this company as the immediate parent to the Specialist Machine Developments (SMD) Limited Group and the CRRC Group as the ultimate controlling party at the end of the year. Copies of CRRC Times Electric (Hong Kong) Co., Ltd and the CRRC Group's financial statements can be obtained from No.16 West 4th Ring Road, Haidan District, Beijing, 100036, China.

The smallest group for which these financial statements are consolidated in is the Specialist Machine Developments (SMD) Limited Group and the largest to be the CRRC Corporation Group.

14. Transition to FRS 101

For all periods up to and including the year ended 31 December 2014, the Company prepared its financial statements in accordance with previously extant United Kingdom generally accepted accounting practice (UK GAAP). These financial statements, for the year ended 31 December 2015, are the first the Company has prepared in accordance with FRS 101.

Accordingly, the Company has prepared individual financial statements which comply with FRS 101 with a date of transition of 1 January 2014, where significant accounting policies meeting those requirements are described in the relevant notes. In preparing these financial statements, the Company has started from the opening balance sheet as at 1 January 2014, the Company's date of transition to FRS 101, and made those changes in accounting policies and other restatements required for the first-time adoption of FRS 101.

On transition to FRS 101, the Company has applied the requirements of paragraphs 6-33 of IFRS 1 "First time adoption of International Financial Reporting Standards".

Exemptions Applied

IFRS 1 allows first-time adopters certain exemptions from the general requirements to apply IFRSs as effective for December 2015 year ends retrospectively. The Company has taken advantage of the following exemptions:

- Elected to not use fair value as deemed cost and continue using the carrying value from the previous GAAP at the date of transition for all eligible assets.

However, the Company has recognised no impact on transition to FRS 101 at either 1 January 2014 or 1 January 2015, due to there being no significant accounting policy difference. As a result, the Company has not disclosed a reconciliation of equity or reconciliation of total comprehensive income as at the end of the first year after transition on 31 December 2014, given there are no differences compared to that reported under the previous accounting standard.