

REGISTRAR

SMD Robotics Limited

Report and Financial Statements

31 December 2016

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COMPANIES HOUSE

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
Newcastle upon Tyne
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 2016.

Results and dividends

The profit for the year after taxation amounted to £71,678 (2015 – profit of £65,829). The directors do not recommend a final dividend (2015 – £nil).

Principal activities

The principal activity of the Company is the provision of technical support to remotely operated vehicles.

Going concern

The directors have prepared the financial statements on a going concern basis on the grounds that the Company settled all its debt in the year and no longer recognises any financial obligations. The directors have reached this conclusion after undertaking a detailed review of the Company's trading and cash flow forecasts and the financial facilities expected to be available to the Company from its investors, bankers and other stakeholders. In making this assessment the directors considered the company has settled all its debt and is still in a net assets position, whilst it does not engage in any trading activities. In addition to a letter of support received from the CRRC Group, the directors are satisfied the Company can continue as a going concern.

Directors

The directors who served the Company during the year and up to the date of approval of the Report and Financial Statements were as follows:

A Hodgson
W Wang
D Zhu
R H Howarth

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.

By order of the Board



Richard Howarth
Secretary
30th June 2017

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 2016 which comprise the Income Statement, Statement of Comprehensive Income, Statement of Changes in Equity, Balance Sheet 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 Standards (United Kingdom Generally Accepted Accounting Practice), 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 Statement of Directors' Responsibilities 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 2016 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, based on the work undertaken in the course of the audit:

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

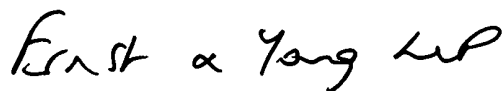
Independent auditors' report to the members of SMD Robotics Limited

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 identified no material misstatements in 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.



Sandra Thompson (Senior statutory auditor)

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

Newcastle upon Tyne

5 July 2017

Income statement

for the year ended 31 December 2016

	Note	2016 £	2015 £
Revenue	4	357,976	293,351
Cost of sales		(286,155)	(210,482)
Gross profit		71,821	82,869
Administration expenses:		(143)	(328)
Profit before tax	5	71,678	82,541
Tax	6	-	(16,712)
Profit for the year		71,678	65,829

All amounts relate to continuing activities.

Statement of comprehensive income

During the year the Company wrote off debt owed to fellow subsidiary Bywell Holdings Limited of £642,634 and in doing so, created a notional capital contribution of £642,634 from the shared parent entity Specialist Machine Developments (SMD) Limited (2015 - £nil). The total comprehensive income for the year is therefore £714,312 (2015 profit of £65,829).

Statement of changes in equity

at 31 December 2016

	Share capital £	Retained earnings £	Total equity £
At 1 January 2015	1	(604,408)	(604,407)
Profit for the year	-	65,829	65,829
At 31 December 2015	1	(538,579)	(538,578)
Profit for the year	-	71,678	71,678
Capital contribution	-	642,634	642,634
At 31 December 2016	1	175,733	175,734

Balance sheet

at 31 December 2016

	Note	2016 £	2015 £
Assets			
Fixed assets			
Tangible assets	7	-	-
Current assets			
Debtors amounts falling due within one year	8	54,502	262,014
Cash and cash equivalents	9	121,232	1,386
		175,734	263,400
Creditors: amounts falling due within one year	10	-	(801,978)
Net assets/(liabilities)		175,734	(538,578)
Equity			
Share capital	11	1	1
Retained earnings/(deficit)		175,733	(538,579)
Total equity/(debt)		175,734	(538,578)

The financial statements were approved by the Board of Directors on 30th June 2017 and signed on its behalf by



Richard Howarth
Director

Notes to the financial statements

at 31 December 2016

1. General information and statement of compliance with IFRS

The financial statements of SMD Robotics Limited (the "Company") for the year ended 31 December 2016 were authorised for issue in accordance with a resolution of the directors on 30th June 2017. SMD Robotics Limited is a private company limited by shares, 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 and end of the year the Company's ultimate controlling party was the CRRC Corporation Limited.

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. 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;

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 2016 as defined below. These were in effect throughout all periods presented in the financial statements.

Going concern

The directors have prepared the financial statements on a going concern basis on the grounds that the Company settled all its debt in the year and no longer recognises any financial obligations. The directors have reached this conclusion after undertaking a detailed review of the Company's trading and cash flow forecasts and the financial facilities expected to be available to the Company from its investors, bankers and other stakeholders. In making this assessment the directors considered the company has settled all its debt and is still in a net assets position, whilst it does not engage in any trading activities. In addition to a letter of support received from the CRRC Group, the directors are satisfied the Company can continue as a going concern.

Revenue

Revenue comprises sales of spare parts and support services which, in accordance with IAS 18, is recognised upon the transfer of significant risk and rewards of ownership of the goods to the customer, usually on delivery of goods. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

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

Deferred taxation

Deferred 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 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 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 tax asset is realised or the deferred tax liability is settled.

Deferred 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 the income statement. 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:

Contingent liabilities

The SMD Group is party to guarantees, including clawback provisions, which may be triggered if the Group fails to satisfy a set of specified conditions for a period of time. This may result in a requirement to fulfil obligations defined by the guarantees, which as part of the Group also exposes the Company to these obligations. As at 31 December 2016 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 Group's ability to comply with the specific conditions. The assessment found the extent of the Group's guarantees was £9,174,345 (2015 – £2,030,148) consisting of bonds only and no specific contract claw backs were identified. The likelihood of any bonds materialising were deemed remote, therefore the Company has disclosed this as a contingent liability only.

4. Revenue

An analysis of revenue by geographical market is given below:

	2016 £	2015 £
United Kingdom	-	31,337
Overseas	357,976	262,014
	<u>357,976</u>	<u>293,351</u>

5. Profit before tax

The Company's audit fee was borne by a fellow group undertaking during the year. The directors estimate that £3,600 (2015 – £3,440) can be apportioned as relating to the audit of the Company.

The directors are also directors of the Specialist Machine Developments (SMD) Group and all remuneration for the period was paid by Soil Machine Dynamics Limited or the ultimate parent undertaking. The directors believe that £7,254 (2015 – £nil) should be apportioned as relating to services as directors of the Company.

6. Income Tax

The major components of income tax expense for 2015 and 2016 are as follows:

(a) Income Statement

	2016 £	2015 £
Current income tax:		
Group relief payable	-	16,712
Total income tax charge in the income statement	<u>-</u>	<u>16,712</u>

(b) Reconciliation of tax charge to profit before tax

	2016 £	2015 £
Profit before income tax	<u>71,678</u>	<u>82,541</u>
Tax on profit at standard UK tax rate of 20% (2015: 20.25%)	<u>14,336</u>	<u>16,712</u>
Effects of:		
Effects of group relief/ other reliefs	<u>(14,336)</u>	<u>-</u>
Total income tax charge in the income statement	<u>-</u>	<u>16,712</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

The UK government has announced its intention to reduce the UK corporation tax rate to 19% by 1 April 2017 and further to 17% by 1 April 2020. Both rate changes have now been 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 2016	4,999	20,000	35,000	59,999
Disposals	(4,999)	(20,000)	(35,000)	(59,999)
At 31 December 2016	-	-	-	-
Depreciation:				
At 1 January 2016	(4,999)	(20,000)	(35,000)	(59,999)
Disposals	4,999	20,000	35,000	59,999
At 31 December 2016	-	-	-	-
Net book value:				
At 1 January 2016 and 31 December 2016	-	-	-	-

8. Trade and other debtors

	2016	2015
	£	£
Trade debtors	-	262,014
Amounts owed by group undertakings	54,502	-
	<u>54,502</u>	<u>262,014</u>

9. Cash and cash equivalents

	2016	2015
	£	£
Cash at bank and on hand	<u>121,232</u>	<u>1,386</u>

Cash at banks earns interest at floating rates based on daily bank deposit rates. The Company, as a member of the Specialist Machine Developments (SMD) Group, is party to an agreement with HSBC Bank plc for an overdraft facility of up to £10,000,000 and a separate credit facility of up to £13,000,000 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. 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 SMD Group, including the Company. Due to the timing of cash flows in July 2016 from recent business activities with frontloaded cost, the overdraft facility was increased to £11,000,000 and the separate credit facility reduced to £12,000,000. This temporary measure was reversed in January 2017.

The overdraft facility contains a netting arrangement between the GBP Sterling bank accounts of the SMD Group, which when combined the Group utilised £10,537,252 of the facility with £462,748 undrawn at 31 December 2016. On that date the separate credit facility had bonds with an aggregate value of £9,174,345 outstanding, disclosed as a contingent liability in Note 12. As in prior years, the Group will continue to adjust the borrowing facilities to meet its ongoing business requirements.

10. Trade and other creditors

	2016	2015
	£	£
Amounts owed to group undertakings	-	726,089
Accruals and deferred income	-	75,889
	<u>-</u>	<u>801,978</u>

11. Issued share capital

<i>Allotted, called up and fully paid</i>	<i>No.</i>	<i>2016 £</i>	<i>No.</i>	<i>2015 £</i>
Ordinary shares of £1 each	1	<u>1</u>	1	<u>1</u>

12. Contingent liabilities

	<i>2016 £</i>	<i>2015 £</i>
Guarantees (bonding)	<u>9,174,345</u>	<u>2,030,148</u>

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 £9,174,345 (2015 – £2,030,148) 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. Related party transactions

The Company has taken advantage of the exemption available under FRS 101 from disclosing transactions between fully-owned members of the Specialist Machine Developments (SMD) Limited Group.

14. Ultimate parent undertaking and controlling party

The immediate parent undertaking is CRRC Times Electric (Hong Kong) Co., Ltd with registered office at Room 1106, 11th Floor, Jubilee Centre, 18 Fenwick Street, Wanchai, Hong Kong, China. The ultimate parent undertaking and controlling party is the CRRC Corporation Limited with registered office at No.16 West 4th Ring Road, Haidan District, Beijing, 100036, China. The CRRC Corporation Limited is the parent of the largest group to consolidate these financial statements of which the State-owned Assets Supervision and Administration Commission of the State Council (the Chinese State) owns the majority shareholding.

The consolidated financial statements of the Specialist Machine Developments (SMD) Group are held at the registered office, Turbinia Works, Davy Bank, Wallsend, Tyne and Wear.