

SMD Robotics Limited

Company Number: 07057310

Report and Financial Statements

31 December 2018



Directors

R H Howarth
J Chen
D Zhu
X Zhang

Secretary

R H Howarth

Independent Auditors

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

Bankers

Barclays Bank plc
City Office
71 Grey Street
Newcastle upon Tyne
NE99 1JP

Citibank Europe plc, UK Branch
Citigroup Centre
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E14 5LB

Registered Office

Turbinia Works
Davy Bank
Wallsend
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NE28 6UZ

Registered No. 07057310

Directors' report

The directors present their report and financial statements for the year ended 31 December 2018.

Results and dividends

The loss for the year after taxation amounted to £33,578 (2017 – profit £3,750). The directors do not recommend a final dividend (2017 – £nil).

Principal activities

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

Principal risks and uncertainties

Whilst the Company has not engaged in any trading activities during the year, as a member of the Specialist Machine Developments (SMD) Group the Company is still exposed to trading risks, notably contract and credit risk. For further information on the risks and uncertainties of the SMD Group, please see the financial statements of Specialist Machine Developments (SMD) Ltd, Company Number: 06533823.

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. 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 relatively strong balance sheet of the Company. In addition to a letter of support received from the CRRC Group, the directors are satisfied the Company can continue as a going concern.

Future developments

The directors intend for the Company to continue not engaging in any trading activities for the foreseeable future.

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:

R H Howarth

J Chen

D Zhu

H Zhang

(appointed 13 June 2018 and resigned 25 March 2019)

X Zhang

(appointed 25 March 2019)

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

This report has been prepared in accordance with the special provisions of section 415A of the Companies Act 2006 relating to small companies. The directors have also taken advantage of the exemption available to small companies not to present a strategic report, pursuant to section 414B of the Companies Act 2006.

By order of the Board



Richard Howarth
Secretary

27 September 2019

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 AUDITOR'S REPORT TO THE MEMBERS OF SMD ROBOTICS LIMITED

Opinion

We have audited the financial statements of SMD Robotics Limited (the 'company') for the year ended 31 December 2018 which comprise the Income Statement, the Statement of Comprehensive Income, the Statement of Changes in Equity, the Balance Sheet and the related notes 1 to 14, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2018 and of its loss 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the provisions available for small entities, in the circumstances set out in the Directors' Report, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters 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 applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' report.

We have nothing to report in respect of the following matters in relation to which 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 prepare the financial statements in accordance with the small companies regime and take advantage of the small companies exemptions in preparing the directors' report and from the requirement to prepare a strategic report.

Responsibilities of directors

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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

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.



Sandra Thompson (Senior statutory auditor)

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

Newcastle upon Tyne

27 September 2019

Income statement

for the year ended 31 December 2018

	Note	2018 £	2017 £
Revenue	4	-	70,919
Cost of sales		-	(57,491)
Gross profit		-	13,428
Administration expenses		(33,578)	(9,678)
(Loss)/profit before tax	5	(33,578)	3,750
Tax	6	-	-
(Loss)/profit for the year		(33,578)	3,750

All amounts relate to continuing activities.

Statement of comprehensive income

There is no recognised other comprehensive income other than the loss attributable to the shareholders of the company of £33,578 in the year ended 31 December 2018 (2017 profit of £3,750).

Statement of changes in equity

for the year ended 31 December 2018

	Share capital £	Retained earnings £	Total equity £
At 1 January 2017	1	175,733	175,734
Profit for the year	-	3,750	3,750
At 31 December 2017	1	179,483	179,484
Loss for the year	-	(33,578)	(33,578)
At 31 December 2018	1	145,905	145,906

Balance sheet

at 31 December 2018

	Note	2018 £	2017 £
Fixed assets			
Intangible assets	7	95,516	120,433
Current assets			
Debtors amounts falling due within one year	8	49,219	70,919
Cash at bank and on hand	9	1,171	1,201
		50,390	72,120
Creditors: amounts falling due within one year	10	-	(13,069)
Net current assets		50,390	59,051
Net assets		145,906	179,484
Equity			
Share capital	11	1	1
Retained earnings		145,905	179,483
Total equity		145,906	179,484

These accounts have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime and approved by the Board of Directors on 27 September 2019 and signed on its behalf by



Richard Howarth

Director

Notes to the financial statements

for the year ended 31 December 2018

1. General information and statement of compliance with IFRS

The financial statements of SMD Robotics Limited (the "Company") for the year ended 31 December 2018 were authorised for issue in accordance with a resolution of the directors on 27 September 2019. 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 Robotics Limited have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (UKGAAP) Financial Reporting Standard 101 (FRS 101) 'Reduced Disclosure Framework'. The financial statements are presented in GBP Sterling (£), also the functional currency of the Company, which has remained unchanged during the reporting period. 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 2018 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 expects to meet its liabilities as they fall due. The directors have reached this conclusion after undertaking a detailed review of the Company's 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 relatively strong balance sheet of the Company. In addition to a letter of support received from the CRRC Group which covers at least 12 months from the signing date of the financial statements, the directors are satisfied the Company can continue as a going concern.

Revenue

Revenue is recognised to the extent that the company obtains the right to consideration in exchange for its performance. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, VAT and other sales taxes or duty. The following criteria must also be met before revenue is recognised:

(a) Rendering of services

Revenue from provision of contract service agreements is recognised over the period in which the services are rendered.

Current taxation

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the reporting period.

Current income taxes are recognised in the income statement except to the extent that the tax relates to items recognised in either other comprehensive income or directly in equity. Management periodically evaluate positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

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.

Intangible fixed assets

Intangible fixed assets relate to capitalised licence fees that provide exclusive access to robotic technology, which were initially recorded at cost. It is then amortised over the length of the licence agreement (5 years) and reviewed annually for any provision for impairment.

Foreign currencies

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 found there were no judgements, estimates and assumptions that had a significant effect on the financial statements, due to the lack of activity in the Company during the year.

4. Revenue

An analysis of revenue by geographical market is given below:

	2018 £	2017 £
Germany	-	70,919

5. (Loss)/profit before tax

During the year the Company recognised amortisation charge of £24,917 (2017 - £4,153) in relation to the capitalised robotics technology licence. In addition, the Company's audit fee was borne by a fellow group undertaking during the year. The directors estimate that £4,849 (2017 - £4,500) 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 £nil (2017 - £6,282) should be apportioned as relating to services as directors of the Company.

Other than directors, the Company has no employees.

6. Tax

The major components of income tax expense for 2018 and 2017 are as follows:

(b) Income Statement

	2018 £	2017 £
Current income tax:		
Current income tax charge	-	-

(c) Reconciliation of tax charge to profit before tax

	2018 £	2017 £
(Loss)/profit before tax	(33,578)	3,750
Tax on profit at standard UK tax rate of 19% (2017: 19.25%)	(6,380)	722
Effects of:		
Effects of group relief	6,380	(722)
Total income tax charge in the income statement	-	-

(d) Change in corporation tax rate

The UK government has announced its intention to reduce the UK corporation tax rate to 17% by 1 April 2020 and has now been substantively enacted.

7. Intangible fixed assets

	<i>Intellectual Property £</i>
Cost:	
At 1 January 2018 and at 31 December 2018	124,586
Depreciation:	
At 1 January 2018	(4,153)
Charge for the year	(24,917)
At 31 December 2018	(29,070)
Net book value:	
At 31 December 2018	95,516
At 1 January 2018	120,433

8. Debtors

	2018 £	2017 £
Trade debtors	-	70,919
Amounts owed by group undertakings	49,219	-
	<u>49,219</u>	<u>70,919</u>

9. Cash at bank and on hand

	2018 £	2017 £
Cash at bank and on hand	<u>1,171</u>	<u>1,201</u>

Cash at banks earns interest at floating rates based on daily bank deposit rates. On 25th October 2018 the facilities agreement with Citibank Europe plc, which included the revolving credit facility of £13,000,000, was ended. On that same date the SMD Group entered into a new facilities agreement with Barclays Bank plc which included a bank overdraft of up to £8,500,000, a separate credit facility of up to £14,500,000 for the issue of letters of credit, including bonds, and £2,000,000 available for foreign exchange agreements.

There is also flexibility between facility limits of the agreement so long as the total facility of £25,000,000 is not exceeded. At 31 December 2018 the Group had an overdraft facility of £9,250,000 and a separate credit facility of £15,250,000, but with only £500,000 available for foreign exchange agreements.

10. Creditors

	2018 £	2017 £
Amounts owed to group undertakings	<u>-</u>	<u>13,069</u>

11. Issued share capital

	2018 No.	2018 £	2017 No.	2017 £
<i>Allotted, called up and fully paid</i>				
Ordinary shares of £1 each	1	<u>1</u>	1	<u>1</u>

12. Contingent liabilities

	2018 £	2017 £
Guarantees (bonding)	16,678,929	4,657,416

At the year ended 2018 the Company was party to guarantees which included clawback provisions should the Company fail to provide goods and services that meet specified performance obligations (performance guarantees) and the return of customer payments made upfront should the Company withdraw from a contract (advance payment guarantees). To secure these obligations, the Company entered into bonding arrangements with its bank as part of the facilities agreement (Note 9), where the bank will settle these guarantees should they materialise before reclaiming this back from the Company. Management made an assessment on the likelihood of these obligations arising, considering the current and forecasted future performance of its products and the Company's ability to comply with the specific conditions. The assessment deemed this remote, therefore the guarantees are disclosed as a contingent liability only.

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 Specialist Machine Developments (SMD) Limited with registered office Turbinia Works, Davy Bank, Wallsend, Tyne and Wear, NE28 6UZ, United Kingdom, which also holds the consolidated financial statements of the Specialist Machine Developments (SMD) Group. These statements are the smallest Group to consolidate the financial statements of the Company.

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.