

SMD Robotics Limited

Company Number: 07057310

Report and Financial Statements

31 December 2019



SMD Robotics Limited

Directors

R H Howarth
D Zhu
X Zhang

Secretary

R H Howarth

Independent Auditor

Deloitte LLP
1 City Square
Leeds
LS1 2AL

Bankers

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 audited financial statements for the year ended 31 December 2019.

Results and dividends

The loss for the year after taxation amounted to £24,947 (2018 – loss of £33,578). The directors do not recommend a final dividend (2018 – £nil).

Principal activities

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

Principal risks and uncertainties (including financial risk management)

Whilst the Company has not engaged in any trading activities during the year, as a member of the Specialist Machine Developments (SMD) Group ('SMD'), 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.

Senior management actively manage the Company's risk register which is regularly reviewed by the Board. The identified risks are up to date with SMD's operations and wider environment. The risks are appropriately scored, and the mitigations are evaluated and tested.

Coronavirus

The circumstances resulting from COVID-19 are creating an unprecedented level of uncertainty for the UK and beyond. Whilst the Company does not trade and therefore the financial impact in 2020 has been limited, as a member of the Specialist Machine Developments (SMD) Group the Company is exposed to a number of risks to the business. As a result, it may impact suppliers and customers behaviours due to the isolation measures taken by individual governments as well as the disease impact of the virus on the general population

In response to the global pandemic, a task force was set up at SMD to oversee the epidemic control measures with the primary aim to keep people safe and follow the UK government guidelines. A set of guiding principles which form basis for decision making and planning during the outbreak has been developed and communicated across the business.

SMD has taken action across a wide range of fronts in mitigation of the risks presented by the pandemic, for instance staff wearing protective equipment, social distancing and working from home. Management have reviewed cash flow and working capital projections, including running scenarios on profit and loss, balance sheet and cash-flows with various degrees of interruption. The analysis of SMD's current cost base has allowed management to take actions around overheads through eliminating or reducing discretionary and other wasteful costs.

Going concern

The directors have adopted the going concern basis in preparing these accounts after assessing the principal risks and having considered the impact of COVID-19. In making this assessment the directors considered a letter of support received from the parent entity Zhuzhou CRRC Times Electric Co. Limited. The directors have assessed the ability of this entity to provide support such that be required and have concluded that it is able to do so. As such, the directors are satisfied that the company has adequate resources to continue to operate for the foreseeable future. For this reason, they continue to adopt the going concern basis for preparing these financial statements.

Future developments

The directors intend for the Company to continue not engaging in any trading activities for the foreseeable future. Whilst the long-term impact of COVID-19 and the ongoing global pandemic remain uncertain as the situation evolves daily, the directors have assumed that the Company would continue to be able to trade beyond 2021 and anticipate a recovery in the following years.

SMD Robotics Limited

Subsequent events

In light of the information that was available as at 2019 year-end, the COVID-19 outbreak is considered to be a non-adjusting event in the 31 December 2019 financial statements.

As explained in note 13 Subsequent events in the financial statements, the outbreak has had a limited impact on the Company.

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	(resigned 27 March 2020)
D Zhu	
H Zhang	(resigned 25 March 2019)
X Zhang	(appointed 25 March 2019)

Disclosure of information to the auditor

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

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

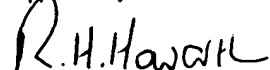
Pursuant to section 487 of the Companies Act 2006, during the year Ernst & Young LLP resigned as auditors and were replaced by Deloitte LLP.

Deloitte LLP have expressed their willingness to continue in office as auditors and appropriate arrangements have been put in place for them to be deemed reappointed as auditor in the absence of an Annual General Meeting.

Special provisions relating to small companies

The directors have taken advantage of the exemption available to small companies not to present a strategic report, pursuant to section 414B of the Companies Act 2006.

Approved by the Board and signed on its behalf of:



R H Howarth
Secretary
05 February 2020

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 FRS 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 accounting estimates that are reasonable and prudent; 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

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of SMD Robotics Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its loss 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.

We have audited the financial statements which comprise:

- the statement of profit and loss and other comprehensive income;
- the statement of financial position;
- the statement of changes in equity; and
- the related notes 1 to 13.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

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.

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 Financial Reporting Council's (the 'FRC's') Ethical Standard, 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 are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in 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.

We have nothing to report in respect of these matters.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our 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 this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

Responsibilities of directors

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, 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 FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

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.

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 any material misstatements the directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters 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; or
- the directors were not entitled to take advantage of the small companies' exemption in preparing a directors report and from the requirements to prepare a strategic report

We have nothing to report in respect of these matters.

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.



David Johnson (Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

Newcastle, United Kingdom

05 February 2021

Statement of profit and loss and other comprehensive income

for the year ended 31 December 2019

	Note	2019 £	2018 £
Administration expenses		(24,947)	(33,578)
Loss before taxation	4	(24,947)	(33,578)
Tax on loss	5	-	-
Loss for the year		(24,947)	(33,578)
Other comprehensive income			
Other comprehensive income for the year		-	-
Total comprehensive income for the year attributable to the owners of the company		(24,947)	(33,578)

All amounts relate to continuing activities.

Statement of changes in equity

for the year ended 31 December 2019

	Share capital	Profit and loss account	Total equity
	£	£	£
At 1 January 2018	1	179,483	179,484
Total comprehensive income for the year	-	(33,578)	(33,578)
At 31 December 2018	1	145,905	145,906
Total comprehensive income for the year	-	(24,947)	(24,947)
At 31 December 2019	1	120,958	120,959

Statement of financial position

As at 31 December 2019

	Note	2019 £	2018 £
Fixed assets			
Intangible assets	6	70,599	95,516
Current assets			
Debtors amounts falling due within one year	0	49,219	49,219
Cash at bank and on hand	0	1,141	1,171
		50,360	50,390
Net current assets		50,360	50,390
Total assets net current liabilities		120,959	145,906
Net assets		120,959	145,906
Equity			
Share capital	9	1	1
Profit and loss account		120,958	145,905
Total shareholders' funds		120,959	145,906

The financial statements were approved by the Board of Directors and authorised for issue on 05 February 2021 and were signed on its behalf by



R H Howarth
Director

The notes on pages 10 to 14 form part of these financial statements.

Notes to the financial statements

for the year ended 31 December 2019

1. General information

SMD Robotics Limited is a private company limited by shares, incorporated in the United Kingdom and registered in England and Wales. The registered office is at Turbinia Works, Davy Bank, Wallsend, Tyne and Wear, NE28 6UZ.

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 have been prepared on a historical cost basis and the functional currency of the Company is GBP Sterling (£), 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 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- g) The requirements of paragraphs 17 and 18A of IAS 24 Related Party Disclosures; and
- h) 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 2019 as defined below. These were in effect throughout all periods presented in the financial statements.

No new standards, amendments and interpretations which became effective during the year have a material impact on the financial statements.

Going concern

The directors have adopted the going concern basis in preparing these accounts after assessing the principal risks and having considered the impact of COVID-19. In making this assessment the directors considered a letter of support received from the parent entity Zhuzhou CRRC Times Electric Co. Limited. The directors have assessed the ability of this entity to provide support such that be required and have concluded that it is able to do so. As such, the directors are satisfied that the company has adequate resources to continue to operate for the foreseeable future. For this reason, they continue to adopt the going concern basis for preparing these financial statements.

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 taxation (continued)

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. Loss before taxation

During the year the Company recognised amortisation charge of £24,947 (2018 - £24,917) 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 £7,500 (2018 – £4,849) 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 (2018 – £nil) should be apportioned as relating to services as directors of the Company.

Other than directors, the Company has no employees in either the current or prior year.

5. Tax

The major components of income tax expense for 2019 and 2018 are as follows:

(a) Income Statement

	2019 £	2018 £
Current income tax:		
Current income tax charge	-	-

(b) Reconciliation of tax charge to loss before tax

	2019 £	2018 £
Loss before tax	(24,947)	(33,578)
Tax on loss at standard UK tax rate of 19% (2018: 19%)	(4,740)	(6,380)
Effects of:		
Effects of group relief	-	6,380
Amounts not recognised	4,740	-
Total income tax charge in the income statement	-	-

Given the amounts involved and the uncertainty of the ability of the Specialist Machine Developments (SMD) Group to utilise losses, the deferred tax asset on the losses carried forward has not been recognised.

(c) Change in corporation tax rate

The UK government has announced that from 1 April 2020 the corporation tax rate would remain at 19% (rather than reducing to 17%, as previously enacted). This new law was substantively enacted on 17 March 2020. As the proposal to keep the rate at 19% had not been substantively enacted at the balance sheet date, its effects are not included in these financial statements. However, the overall effect of the change, had it been substantively enacted by the balance sheet date, would be £nil.

6. Intangible fixed assets

	<i>Intellectual Property £</i>
Cost:	
At 1 January 2019 and at 31 December 2019	124,586
Depreciation:	
At 1 January 2019	(29,070)
Charge for the year	(24,917)
At 31 December 2019	(53,987)
Net book value:	
At 31 December 2019	70,599
At 1 January 2019	95,516

Amortisation charge is recognised in administration expenses.

7. Debtors

	2019 £	2018 £
Trade debtors	-	-
Amounts owed by group undertakings:		
Subsidiaries	49,219	49,219
	49,219	49,219

The balance is with a fellow subsidiary of the Specialist Machine Developments (SMD) Group and is payable on demand. It is unsecured in nature and bears no interest. No provisions are held against amounts owed by group undertakings.

8. Cash at bank and on hand

	2019 £	2018 £
Cash at bank and on hand	1,141	1,171

Cash at banks earns interest at floating rates based on daily bank deposit rates.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The latest facilities agreement with Barclays Bank Plc was signed by the SMD Group on 2 September 2020 and includes a bank overdraft of up to £15,250,000, a separate credit facility of up to £9,750,000 for the issue of letters of credit, including bonds and 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 2019 the Group had an overdraft facility of £14,250,000 and a separate credit facility of £10,750,000.

9. Issued share capital

	2019	2018
<i>Allotted, authorised, called up and fully paid</i>	<i>No. £</i>	<i>No. £</i>
Ordinary shares of £1 each	1 1	1 1

10. Contingent liabilities

	2019	2018
	£	£
Guarantees (bonding)	12,867,681	16,678,929

At the year ended 2019 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 0), 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 possible. However, as the settlement is not probable, the guarantees are disclosed as a contingent liability only.

11. 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.

12. 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.

13. Subsequent events

The circumstances resulting from COVID-19 are creating an unprecedented level of uncertainty for the UK and beyond. The Company considers the emergence and spread of COVID-19 to be a non-adjusting post balance sheet event. As the Company does not trade, the financial impact in the first 11 months of 2020 has been limited. The going concern statement on page 2 details the additional work undertaken, and factors considered as a result of COVID-19 and confirms the Company's ability to continue as a viable going concern.