

Quadscot Precision Engineers Limited

Financial Statements

For the 52 week period ended 1
October 2016



Officers and professional advisers

Company registration number	SC124213
Registered office	Block 2, Unit 8 Blantyre Industrial Estate Blantyre Glasgow Scotland G72 0ND
Directors	J T S Hayward J C Allen A D Burnett K M Van Hee
Secretary	A W R Tristram
Bankers	Lloyds Bank 14 Church Street Sheffield S1 1HP
Solicitors	hlw Keeble Hawson LLP Commercial House Commercial Street Sheffield S1 2AT
Auditor	Grant Thornton UK LLP Registered Auditors Chartered Accountants No 1 Whitehall Riverside Leeds LS1 4BN

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QUADSCOT PRECISION ENGINEERS LIMITED

DIRECTORS REPORT

For the period ended 1 October 2016

The directors present their report and the audited financial statements for the period from 4 October 2015 to 1 October 2016. The comparative period ran from 1 October 2014 to 3 October 2015.

Directors

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

J T S Hayward
J C Allen
A D Burnett
K M Van Hee
J J Smith (resigned 7 April 2016)

An indemnity insurance policy is in place for all directors.

Financial instruments

The company's operations expose it to a variety of financial risks including the effects of changes in credit risk and liquidity risk. The company's principal financial instruments comprise cash and bank deposits together with trade debtors and trade creditors that arise directly from its operations. The company has not entered into derivative transactions, nor does it trade in financial instruments as a matter of policy.

The main risks arising from the company's financial instruments can be analysed as follows:

Credit risk

The company's credit risk is primarily attributable to its trade debtors. Credit risk is managed by monitoring the aggregate amount and duration of exposure to any one customer depending upon their credit rating. The amounts presented in the statement of financial position are net of allowances for doubtful debts, estimated by the company's management and their assessment of the current economic environment.

Liquidity risk

Short term financing needs are met by existing cash resources and access to funds and borrowing facilities held by the parent company, Pressure Technologies plc.

Going concern

Management has considered the uncertainties in the current economic environment and has produced forecasts, which have been approved by the directors, and show that the company will be able to meet its obligations as they fall due for a period of at least 12 months from when these financial statements have been signed. As the company is party to a group banking arrangement, the directors have also obtained assurances of continued support from the parent company, Pressure Technologies plc, and having made enquiries of that company have concluded that it will be able to provide any continued support that may be required.

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 the financial statements.

QUADSCOT PRECISION ENGINEERS LIMITED

DIRECTORS REPORT

For the period ended 1 October 2016

Statement of directors' responsibilities for the financial statements

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws, 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 judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards, including FRS 101, 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 to 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislations in other jurisdictions.

Disclosure of information to auditor

The directors confirm that:

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

Auditor

Grant Thornton UK LLP are willing to continue in office and a resolution to reappoint them will be proposed at the Annual General Meeting.

Approval

The report of the directors was approved by the Board on 16 December 2016 and signed on its behalf by:



K M Van Hee
Director

QUADSCOT PRECISION ENGINEERS LIMITED

REPORT OF THE INDEPENDENT AUDITOR

For the period ended 1 October 2016

Independent Auditor's report to the Members of Quadscot Precision Engineers Limited

We have audited the financial statements of Quadscot Precision Engineers Limited for the period ended 1 October 2016 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity and the related notes 1 to 25. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 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 4, 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

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 1 October 2016 and of its loss for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

QUADSCOT PRECISION ENGINEERS LIMITED

REPORT OF THE INDEPENDENT AUDITOR

For the period ended 1 October 2016

Matters on which we are required to report by exception

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

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

Other matter

The company was not required to have a statutory audit for the period ended 30 September 2014 as it was entitled to exemption from the provisions of the Companies Act 2006 relating to the audit of the financial statements for the year by virtue of Section 477 and no member or members had requested an audit pursuant to Section 476 of the Act. Accordingly the corresponding figures for the period ended 30 September 2014 are unaudited.

Grant Thornton UK LLP

Victoria McLoughlin
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Leeds
16 December 2016

QUADSCOT PRECISION ENGINEERS LIMITED

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 1 October 2016

	Note	52 weeks ended 1 October 2016 £'000	53 weeks ended 3 October 2015 £'000
Turnover	3	1,996	4,173
Cost of sales		<u>(1,433)</u>	<u>(2,583)</u>
Gross profit		563	1,590
Administrative expenses		(796)	(657)
Exceptional costs – restructuring costs	5	<u>(105)</u>	<u>-</u>
(Loss) / profit from operations	4	(338)	933
Interest receivable and similar income	6	2	-
Interest payable and similar charges	6	<u>-</u>	<u>(13)</u>
(Loss) / profit on ordinary activities before taxation	4	(336)	920
Tax on (loss) / profit on ordinary activities	7	34	38
(Loss) / profit for the financial period	4	(302)	958
Other comprehensive income for the financial period, net of tax		-	-
Total comprehensive income for the financial period		<u>(302)</u>	<u>958</u>

All of the activities of the company are classed as continuing.

The notes on pages 11 to 34 form part of the financial statements.

QUADSCOT PRECISION ENGINEERS LIMITED

STATEMENT OF FINANCIAL POSITION

At 1 October 2016

	Note	1 October 2016 £'000	3 October 2015 £'000
Non-current assets			
Tangible fixed assets	8	1,014	1,172
Amounts owed by group undertakings	10	105	77
		<u>1,119</u>	<u>1,249</u>
Current assets			
Stocks	9	304	411
Debtors	10	332	594
Cash at bank and in hand		489	367
		<u>1,125</u>	<u>1,372</u>
Creditors: amounts falling due within one year	11	<u>(909)</u>	<u>(881)</u>
Net current assets		<u>216</u>	<u>491</u>
Total assets less current liabilities		<u>1,335</u>	<u>1,740</u>
Creditors: amounts falling due after more than one year	12	(48)	(125)
Provisions for liabilities	15	<u>(30)</u>	<u>(61)</u>
Net assets		<u>1,257</u>	<u>1,554</u>
Capital and reserves			
Called up share capital	17	30	30
Capital contribution reserve	18	6	1
Profit and loss account	18	1,221	1,523
Shareholders' funds		<u>1,257</u>	<u>1,554</u>

The notes on pages 11 to 34 form part of the financial statements.

The financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime.

The financial statements were approved by the Board of Directors and authorised for issue on 16 December 2016.

Signed on behalf of the board of directors:

K. Van Hee

K M Van Hee
Director
Company registration no: SC124213

QUADSCOT PRECISION ENGINEERS LIMITED

STATEMENT OF CHANGES IN EQUITY

For the year ended 1 October 2016

	Called-up share capital £ '000	Capital contribution reserve £ '000	Profit and loss account £ '000	Total £ '000
At 4 October 2015	30	1	1,523	1,554
Dividends paid (note 20)	-	-	-	-
Share based payment	-	5	-	5
Issue of shares	-	-	-	-
Transactions with owners	-	5	-	5
Loss for the year	-	-	(302)	(302)
Total comprehensive income	-	-	(302)	(302)
At 1 October 2016	30	6	1,221	1,257

The notes on pages 11 to 34 form part of the financial statements.

QUADSCOT PRECISION ENGINEERS LIMITED

STATEMENT OF CHANGES IN EQUITY

For year ended 3 October 2015

	Called-up share capital	Capital contribution reserve	Profit and loss account	Total
	£ '000	£ '000	£ '000	£ '000
At 30 September 2014	30	-	2,391	2,421
Dividends paid (note 20)	-	-	(1,826)	(1,826)
Share based payment	-	1	-	1
Issue of shares	-	-	-	-
Transactions with owners	-	1	(1,826)	(1,825)
Profit for the year	-	-	958	958
Total comprehensive income	-	-	958	958
At 3 October 2015	30	1	1,523	1,554

The notes on pages 11 to 34 form part of the financial statements.

QUADSCOT PRECISION ENGINEERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 1 October 2016

1 Company information

Quadscot Precision Engineers Limited is a private company limited by shares, incorporated in the United Kingdom.

2 Accounting Policies

2.1 Statement of compliance

These financial statements have been prepared in accordance with applicable accounting standards and in accordance with Financial Reporting Standard 101 – 'The Reduced Disclosure Framework' (FRS 101). The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have all been applied consistently throughout the year unless otherwise stated.

The financial statements have been prepared on a historical cost basis, as modified by certain assets and liabilities measured at fair value.

The financial statements are presented in Sterling (£) and have been presented in round thousands (£'000).

2.2 Changes in accounting policies

This is the first year in which the financial statements have been prepared in accordance with FRS 101. The date of transition to FRS 101 is 30 September 2014. An explanation of the transition is included in note 25 to the financial statements.

2.3 Going concern

Management has considered the uncertainties in the current economic environment and has produced forecasts, which have been approved by the directors, and show that the company will be able to meet its obligations as they fall due for a period of at least 12 months from when these financial statements have been signed. As the company is party to a group banking arrangement, the directors have also obtained assurances of continued support from the parent company, Pressure Technologies plc, and having made enquiries of that company have concluded that it will be able to provide any continued support that may be required.

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 the financial statements.

2.4 Parent Company

The Company is a wholly owned subsidiary of Quadscot Holdings Limited, a company incorporated in the United Kingdom. Quadscot Holdings Limited is a wholly owned subsidiary of Pressure Technologies plc, which prepares publicly available consolidated financial statements in accordance with IFRS. This Company is included in the consolidated financial statements of Pressure Technologies plc for the period ended 1 October 2016. These accounts are available from Unit 6B, Newton Business Centre, Newton Chambers Road, Chapeltown, Sheffield, S35 2PH

QUADSCOT PRECISION ENGINEERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 1 October 2016

2 Accounting Policies (continued)

2.5 Disclosure exemptions adopted

In preparing these financial statements the Company has taken advantage of all disclosure exemptions conferred by FRS 101. Therefore these financial statements do not include:

- A statement of cash flows and related notes
- The requirement to produce a statement of financial position at the beginning of the earliest comparative period
- The requirements of IAS 24 'Related Party Disclosures' to disclose related party transactions entered in to between two or more members of the group as they are wholly owned within the group
- Presentation of comparative reconciliations for property, plant and equipment
- Disclosure of key management personnel compensation
- Capital management disclosures
- Presentation of comparative reconciliation of the number of shares outstanding at the beginning and at the end of the period
- The effect of future accounting standards not adopted
- Certain share based payment disclosures
- Disclosures in relation to impairment of assets
- Disclosures in respect of financial instruments
- Fair value measurement disclosures

For the year ended 1 October 2016

2 Accounting Policies (continued)

2.6 Impairment of assets

For impairment assessment purposes, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. All individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's (or cash-generating units) carrying amount exceeds its recoverable amount, which is the higher of fair value less costs of disposal and value-in-use. To determine the value-in-use, management estimates expected future cash flows from each cash-generating unit and determines a suitable discount rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the latest approved budget, adjusted as necessary to exclude the effects of future reorganisations and asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect current market assessments of the time value of money and asset-specific risk factors.

Impairment losses for cash-generating units are charged pro rata to the other assets in the cash-generating unit.

All assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. An impairment loss is reversed if the asset's or cash-generating unit's recoverable amount exceeds its carrying amount.

2.7 Tangible assets

Property, plant and equipment (PPE) is initially recognised at acquisition cost or manufacturing cost, including any costs directly attributable to bringing the assets to the location and condition necessary for them to be capable of operating in the manner intended by the Company's management.

PPE is subsequently measured at cost less accumulated depreciation and impairment losses (see note 2.6).

Depreciation is recognised on a straight-line basis (unless otherwise stated) to write down the cost less estimated residual value of PPE. The following useful lives are applied:

- Buildings (including improvements): 50 years or remaining life of lease
- Plant and machinery: 10 years
- Fixtures, fittings & equipment: 5 years
- Motor vehicles: 4 years

In the case of leasehold property improvements, expected useful lives are determined by reference to comparable owned assets or over the term of the lease, if shorter.

Material residual value estimates and estimates of useful life are updated as required, but at least annually.

Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in profit or loss within other income or other expenses.

For the year ended 1 October 2016

2 Accounting Policies (continued)

2.8 Stock

Stock is stated at the lower of cost and net realisable value. Cost includes all expenses directly attributable to the manufacturing process as well as suitable portions of related production overheads, based on normal operating capacity. Costs of ordinarily interchangeable items are assigned using the first in, first out cost formula. Net realisable value is the estimated selling price in the ordinary course of business less any applicable selling expenses.

2.9 Financial instruments - Recognition, initial measurement and derecognition

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted for transaction costs, except for those carried at fair value through profit or loss which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities is described below.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

2.10 Financial instruments - Classification and subsequent measurement of financial assets

For the purpose of subsequent measurement financial assets, other than those designated and effective as hedging instruments, are classified into the following categories upon initial recognition:

- loans and receivables

There are no financial assets that have been designated as held to maturity.

All financial assets except for those at FVTPL are reviewed for impairment at least at each reporting date to identify whether there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

2.11 Financial instruments – loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Company's cash and cash equivalents, trade debtors and other debtors fall into this category of financial instrument.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of the counterparty and other shared credit risk characteristics. The impairment loss estimate is then based on recent historical counterparty default rates for each identified group.

2 Accounting Policies (continued)

2.12 Financial instruments – Classification and subsequent measurement of financial liabilities

The Company's financial liabilities include borrowings, trade creditors and other creditors and derivative financial instruments.

Financial liabilities are measured subsequently at amortised cost using the effective interest method.

2.13 Financial instruments – intercompany balances

Amounts due from group companies are initially recognised at fair value being the present value of future interest and capital receipts discounted at the market rate of interest for a similar financial asset. Where the face value of the loan exceeds the fair value of the loan on initial recognition this difference is treated as follows:

- If the loan is to a parent Company the difference is shown as a deduction from equity
- If the loan is to a fellow subsidiary the difference is shown as a deduction from equity
- If the loan is due from a subsidiary the difference is added to the investment in that subsidiary.

Interest receivable on the loan is recognised in profit or loss under the effective interest method.

Amounts due to group companies are initially recognised at fair value being the present value of future interest and capital payments discounted at the market rate of interest for a similar financial liability. Where the face value of the loan exceeds the fair value of the loan on initial recognition this difference is treated as follows:

- If the loan is from a parent Company the difference is shown as a credit to equity
- If the loan is from a fellow subsidiary the difference is shown as a credit to equity
- If the loan is from a subsidiary the difference is recognised in profit or loss.

Interest payable on the loan is recognised in profit or loss under the effective interest method.

For group loans which are due on demand or where there is no significant difference between the amount due/payable and fair value on initial recognition then such loans are carried at the amount due/payable on an amortised cost basis.

2.14 Cash and cash equivalents

Cash comprise cash on hand and demand deposits which is presented as cash at bank and in hand in the statement of financial position.

Cash equivalents comprise short-term, highly liquid investments with maturities of three months or less from inception that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are presented as part of current asset investments in the statement of financial position.

For the year ended 1 October 2016

2 Accounting Policies (continued)

2.15 Finance leases

Leases of assets that transfer substantially all the risks and rewards incidental to ownership are classified as finance leases.

Management applies judgement in considering the substance of a lease agreement and whether it transfers substantially all the risks and rewards incidental to ownership of the leased asset. Key factors considered include the length of the lease term in relation to the economic life of the asset, the present value of the minimum lease payments in relation to the asset's fair value, and whether the Company obtains ownership of the asset at the end of the lease term.

Finance leases are capitalised at commencement of the lease as assets at the fair value of the leased asset or, if lower, the present value of the minimum lease payments calculated using the interest rate implicit in the lease. Where the implicit rate cannot be determined the Group's incremental borrowing rate is used. Incremental direct costs, incurred in negotiating and arranging the lease, are included in the cost of the asset.

Assets are depreciated over the shorter of the lease term and the estimated useful life of the asset. Assets are assessed for impairment at each reporting date.

The capital element of lease obligations is recorded as a liability on inception of the arrangement. Lease payments are apportioned between capital repayment and finance charge, using the effective interest rate method, to produce a constant rate of charge on the balance of the capital repayments outstanding.

For leases of land and buildings, the minimum lease payments are first allocated to each component based on the relative fair values of the respective lease interests. Each component is then evaluated separately for possible treatment as a finance lease, taking into consideration the fact that land normally has an indefinite economic life.

All other leases are treated as operating leases.

2.16 Operating leases

Where the Company is a lessee, payments made under an operating lease agreement are recognised as an expense on a straight-line basis over the lease term.

Incentives received to enter into an operating lease are credited to the profit and loss account, to reduce the lease expense, on a straight-line basis over the period of the lease. Associated costs, such as maintenance and insurance, are expensed as incurred.

For the year ended 1 October 2016

2 Accounting Policies (continued)

2.17 Provisions, contingent assets and contingent liabilities

Provisions for product warranties, legal disputes, onerous contracts or other claims are recognised when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required and amounts can be estimated reliably. The timing or amount of the outflow may still be uncertain.

Restructuring provisions are recognised only if a detailed formal plan for the restructuring exists and management has either communicated the plan's main features to those affected or started implementation. Provisions are not recognised for future operating losses.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Where the time value of money is material provisions are discounted to their present values, using a pre-tax discount rate that reflects the current market assessment of the time value of money and the risks specific to the liability.

Any reimbursement that is virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision.

No liability is recognised if an outflow of economic resources as a result of present obligations is not probable. Such situations are disclosed as contingent liabilities unless the outflow of resources is remote.

2.18 Holiday pay

A provision for annual leave accrued by employees as a result of services rendered, and which employees are entitled to carry forward and use within the next three months is recognised in the current period. The provision is measured at the salary cost payable for the period of absence.

2.19 Equity, reserves and dividend payments

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset.

The Company's ordinary shares are classified as equity. Transaction costs on the issue of shares are deducted from the share premium account arising on that issue. Dividends on the Company's ordinary shares are recognised directly in equity.

Interim dividends are recognised when they are paid. A liability for unpaid dividends is recognised when the dividends have been approved in a general meeting prior to the reporting date.

For the year ended 1 October 2016

2 Accounting Policies (continued)

2.20 Revenue recognition

Turnover comprises amounts arising from the provision of goods and services falling within an entity's ordinary activities after deducting trade discounts, VAT and other tax based on those amounts. It is measured at the fair value of consideration received or receivable, excluding sales taxes, and reduced by any rebates and trade discounts allowed.

The Company applies the revenue recognition criteria set out below to each separately identifiable component of the sales transaction. The consideration received from these multiple-component transactions is allocated to each separately identifiable component in proportion to its relative fair value.

Sale of goods

The Company recognises revenue when the goods in question have finished production and passed any applicable factory and customer acceptance tests. Where goods remain on the Company's premises at the period end at the request of the customer, management consider the detailed criteria for the recognition of revenue from the sale of goods as set out in IAS 18 "Revenue". In particular, consideration is given to whether the significant risks and rewards of ownership are considered to have transferred to the buyer.

Where the Company has agreed to perform significant tailoring, modification or integration services in connection with a product sale, revenue is recognised in the same way as the rendering of services described below.

Rendering of services

The Company generates additional revenues from after-sales service and maintenance.

Revenue from services provided by the Company is recognised when the outcome of the transaction can be estimated reliably and the Company has performed its obligations and, in exchange, obtained the right to consideration.

2.21 Revenue – other revenue streams

Interest receivable

Interest receivable is reported on an accruals basis using the effective interest method.

2.22 Government grants

Government grants are not recognised until there is reasonable assurance that the Company has complied with the conditions attaching to them and that the grants will be received.

Government grants received on capital expenditure are initially recognised within deferred income on the Company's statement of financial position and are subsequently recognised in profit or loss on a systematic basis over the useful life of the related capital expenditure.

Grants for revenue expenditure are presented as part of profit or loss within other income in the periods in which the expenditure is recognised.

2.23 Operating expenses

Operating expenses are recognised in profit or loss upon utilisation of the service or as incurred.

For the year ended 1 October 2016

2 Accounting Policies (continued)

2.24 Foreign currency translation

Foreign currency transactions are translated into the Company's functional currency using the exchange rates prevailing at the dates of the transactions (spot exchange rate).

Foreign exchange gains and losses resulting 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 which are translated using the exchange rates at the date when fair value was determined. Where a gain or loss on a non-monetary item is recognised in other comprehensive income the foreign exchange component of that gain or loss is also recognised in other comprehensive income.

2.25 Income taxes

Tax expense recognised in profit or loss comprises the sum of deferred tax and current tax not recognised in other comprehensive income or directly in equity.

Calculation of current tax is based on tax rates and laws that have been enacted or substantively enacted by the end of the reporting period. Deferred income taxes are calculated using the liability method.

Calculation of deferred tax is based on tax rates and laws that have been enacted or substantively enacted by the end of the reporting period that are expected to apply when the asset is realised or the liability is settled.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the entity expects to recover the related asset or settle the related obligation. Certain of the Company's investment property portfolio is to be recovered through sale whereas investment property occupied by group companies is expected to be recovered through use.

Deferred tax assets are recognised to the extent that it is probable that the underlying tax loss or deductible temporary difference will be utilised against future taxable income. This is assessed based on the Company's forecast of future operating results, adjusted for significant non-taxable income and expenses and specific limits on the use of any unused tax loss or credit. Deferred tax assets are not discounted.

Deferred tax liabilities are generally recognised in full with the exception of the following: on the initial recognition of a transaction that is not a business combination and at the time of the transaction affects neither accounting or taxable profit.

Deferred tax liabilities are not discounted.

2 Accounting Policies (continued)

2.26 Post-employment benefits and short-term employee benefits

Short-term employee benefits

Short term employee benefits including holiday entitlement, are current liabilities included in pension and other employee obligations, measured at undiscounted amount that the Company expects to pay as a result of unused entitlement. See holiday pay policy in 2.18 above.

Post-employment benefit plans

Contributions to defined contribution pension schemes are charged to profit or loss in the year to which they relate. Prepaid contributions are recognised as an asset. Unpaid contributions are reflected as a liability.

2.27 Share based payments

Where equity settled share options are awarded by the parent company to employees of this Company the fair value of the options at the date of grant is charged to profit or loss over the vesting period with a corresponding entry in retained earnings.

Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest.

Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the statement of comprehensive income over the remaining vesting period.

Recharges from the parent company for the use of options over the parent company shares are deducted from equity.

2.28 Profit from operations

Profit from operations comprises the results of the Company before interest receivable and similar income, interest payable and similar charges, corporation tax and deferred tax.

2.29 Exceptional items

Exceptional items are transactions that fall within the ordinary activities of the Company but are presented separately due to their size or incidence.

For the year ended 1 October 2016

2 Accounting Policies (continued)

2.30 Significant judgement in applying accounting policies and key estimation uncertainty

When preparing the financial statements, management makes a number of judgements, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses.

Significant management judgement

The following are significant management judgements in applying the accounting policies of the Company that have the most significant effect on the financial statements.

Estimation uncertainty

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

Useful lives of depreciable assets

Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technological obsolescence that may change the utility of certain software and IT equipment. (see note 8).

Stock

Management estimates the net realisable values of stock, taking into account the most reliable evidence available at each reporting date. The future realisation of this stock may be affected by future technology or other market-driven changes that may reduce future selling prices (see note 9). Management also estimates the amount of overhead to absorb into the carrying value of stock, based on the overheads incurred and activity levels. This key estimate is regularly reviewed.

Fair value measurement

Management uses valuation techniques to determine the fair value of financial instruments (where active market quotes are not available) and non-financial assets. This involves developing estimates and assumptions consistent with how market participants would price the instrument.

Management bases its assumptions on observable data as far as possible but this is not always available. In that case management uses the best information available. Estimated fair values may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

QUADSCOT PRECISION ENGINEERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 1 October 2016

3 Turnover

Turnover, analysed geographically between markets, was as follows:

	52 weeks ended 1 October 2016 £'000	53 weeks ended 3 October 2015 £'000
United Kingdom	1,888	3,740
Other EU	7	28
Rest of the World	101	405
	<u>1,996</u>	<u>4,173</u>

All of the company's turnover was in the oil and gas sector, in both the current and prior period.

4 Loss / profit on ordinary activities before taxation

The loss / profit on ordinary activities before taxation is stated after:

	52 weeks ended 1 October 2016 £'000	53 weeks ended 3 October 2015 £'000
Depreciation of owned tangible assets	187	141
Depreciation of leased tangible assets	14	44
Amortisation of government grants	(54)	(63)
Income from government grants	-	(4)
Restructuring costs (see note 5)	105	-
All other staff costs (non-exceptional), including wages and salaries	1,030	1,770
Auditor's remuneration –		
Fees payable for the audit of the Company's annual accounts	17	12
Fees payable for taxation compliance and advice	2	3
Operating lease rentals		
- Other (motor vehicles)	-	4
	<u></u>	<u></u>

QUADSCOT PRECISION ENGINEERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 1 October 2016

5 Directors and employees

Staff costs, including directors, comprised the following:

	52 weeks ended 1 October 2016 £'000	53 weeks ended 3 October 2015 £'000
Wages and salaries	1,014	1,592
Social security costs	88	153
Pension costs (note 14)	28	24
Share based payments	5	1
	<u>1,135</u>	<u>1,770</u>

Staff costs include £105,000 of restructuring costs disclosed as an exceptional charge (2015: £nil).

The average number of employees of the Company (including directors) during the year was:

	52 weeks ended 1 October 2016 Number	53 weeks ended 3 October 2015 Number
Production	25	38
Selling and distribution	1	2
Administration	11	14
	<u>37</u>	<u>54</u>

Directors' remuneration comprised the following:

	52 weeks ended 1 October 2016 £'000	53 weeks ended 3 October 2015 £'000
Emoluments	44	122
Pension contributions to money purchase pension schemes	2	13
	<u>46</u>	<u>135</u>

J T S Hayward, J C Allen, A D Burnett and K M Van Hee are remunerated by Pressure Technologies plc. It is not practicable to ascertain the proportion of directors' emoluments that specifically relate to this Company.

During the year one director (2015: one) had benefits accruing under money purchase pension schemes.

QUADSCOT PRECISION ENGINEERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 1 October 2016

6 Interest receivable and payable

	52 weeks ended 1 October 2016 £'000	53 weeks ended 3 October 2015 £'000
Interest on finance leases	<u>(2)</u>	<u>13</u>
Total finance (income) / charges	<u><u>(2)</u></u>	<u><u>13</u></u>

Most of the Company's finance lease contracts came to an end in the period (see note 11). The finance income arises from an over-accrual of finance lease costs in the prior period.

QUADSCOT PRECISION ENGINEERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 1 October 2016

7 Tax on (loss) / profit on ordinary activities

The tax charge/(credit) is based on the (loss) / profit for the year and represents:

	52 weeks ended 1 October 2016 £'000	53 weeks ended 3 October 2015 £'000
UK Corporation tax	-	-
Adjustments in respect of previous periods	(4)	4
Total current tax	(4)	4
Deferred tax		
- Origination and reversal of timing differences	(1)	(42)
- Changes in tax rates	(8)	-
- Unused losses carried forward	(21)	-
Tax on profit on ordinary activities	(34)	(38)

The tax assessed for the year is lower (2015: lower) than the standard rate of corporation tax in the United Kingdom at 20% (2015: 20.5%). The differences are explained as follows:

	52 weeks ended 1 October 2016 £'000	53 weeks ended 3 October 2015 £'000
(Loss) / profit on ordinary activities before tax	(336)	920
(Loss) / profit on ordinary activities multiplied by standard rate of corporation tax in the United Kingdom of 20% (2015: 20.5%)	(67)	189
Non-deductible expenses	9	(34)
Adjustments in respect of previous periods	(4)	4
Group relief of losses surrendered / (losses surrendered) to other companies for nil consideration	28	(197)
Tax on results on ordinary activities	(34)	(38)

All taxation relates to continuing operations.

Following the 2015 Finance Act there will be a reduction in the main rate of corporation tax to 19% from 1 April 2017.

Following the 2016 Finance Act there will be a further reduction in the main rate of corporation tax to 17% from 1 April 2020.

QUADSCOT PRECISION ENGINEERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 1 October 2016

8 Tangible assets

	Land and buildings £'000	Plant and machinery £'000	Fixtures, fittings and equipment £'000	Motor vehicles £'000	Total £'000
Cost					
At 4 October 2015	277	1,740	205	25	2,247
Additions	-	34	9	-	43
Disposals	-	-	-	-	-
At 1 October 2016	277	1,774	214	25	2,290
Depreciation					
At 4 October 2015	13	904	138	20	1,075
Provided in the year	5	164	27	5	201
Disposals	-	-	-	-	-
At 1 October 2016	18	1,068	165	25	1,276
Net book amount at 1 October 2016	259	706	49	-	1,014
Net book amount at 3 October 2015	264	836	67	5	1,172

The net book value of land and buildings comprises:

	1 October 2016 £'000	3 October 2015 £'000
Long leasehold	259	264
Short leasehold	-	-
	259	264

Finance lease agreements

Included within the net book value of £990,000 (2015: £1,172,000) is £82,000 (2015: £290,000) relating to assets held under finance leases. The depreciation charged to the financial statements in respect of such assets amounted to £14,000 (2015: £44,000).

All assets held under finance leases are plant and machinery.

QUADSCOT PRECISION ENGINEERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 1 October 2016

9 Stocks

	1 October 2016 £'000	3 October 2015 £'000
Raw materials	148	100
Work in progress	97	197
Finished goods	59	114
	<u>304</u>	<u>411</u>

There is no significant difference between the replacement cost of stock and its carrying amount.

Stock recognised in cost of sales during the year as an expense was £710,000 (2015: £915,000).

An impairment loss of £39,000 (2015: £82,000) was recognised in cost of sales against stock during the year due to slow-moving and obsolete stock.

10 Debtors

	1 October 2016 £'000	3 October 2015 £'000
Due < 1 year		
Trade debtors	194	411
Amounts due from group undertakings	92	108
Corporation tax recoverable	4	-
Other debtors	-	9
Prepayments and accrued income	42	66
	<u>332</u>	<u>594</u>
Due > 1 year		
Amounts due from group undertakings	105	77
	<u>111</u>	<u>77</u>

QUADSCOT PRECISION ENGINEERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 1 October 2016

11 Creditors: amounts falling due within one year

	1 October 2016 £'000	3 October 2015 £'000
Trade creditors	202	212
Amounts owed to group undertakings	554	381
Other taxation and social security	39	81
Obligations under finance lease and hire purchase contracts	23	80
Grants (note 13)	54	54
Accruals and deferred income	37	73
	<u>909</u>	<u>881</u>

12 Creditors: amounts falling due after more than one year

	1 October 2016 £'000	3 October 2015 £'000
Obligations under finance lease and hire purchase contracts	2	25
Grants (note 13)	46	100
	<u>48</u>	<u>125</u>

The Company's future minimum finance lease payments are as follows:

	1 October 2016 £'000	3 October 2015 £'000
Not later than one year	23	80
Later than one year and not later than five years	2	25
Total future minimum lease payments	<u>25</u>	<u>105</u>

Finance lease liabilities are secured by the related assets held under finance leases (see note 8). The lease agreements generally include fixed lease payments and a purchase option at the end of the lease term.

QUADSCOT PRECISION ENGINEERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 1 October 2016

13 Grants

	1 October 2016 £'000	3 October 2015 £'000
Cost brought forward	447	447
Received in the year	-	-
Amortisation brought forward	(293)	(230)
Amortisation in the year	(54)	(63)
Balance carried forward	<u>100</u>	<u>154</u>
Amounts falling due within one year	54	54
Amounts falling due after more than one year	<u>46</u>	<u>100</u>
	<u>100</u>	<u>154</u>

14 Retirement benefits

Defined Contribution Schemes

The Company is a member of a defined contribution pension scheme operated by the ultimate parent company, Pressure Technologies plc.. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to £28,000 (2015: £24,000).

QUADSCOT PRECISION ENGINEERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 1 October 2016

15 Provisions for liabilities

	Deferred tax (note 16) £'000	Restructuring £'000	Holiday pay £'000	Total £'000
At 4 October 2015	52	-	9	61
Additional provisions in period	-	8	-	8
Amounts utilised	-	-	(9)	(9)
Amounts of deferred tax recognised in profit or loss	(30)	-	-	(30)
At 1 October 2016	22	8	-	30

Restructuring

The Company's restructuring programme was initiated in spring 2016 and carried out throughout the second half of the period. The restructuring provision relates to employees who were notified of their redundancy after the final payroll of the financial period, but before the period end date. The Company settled the remaining termination remuneration for these former employees in October 2016.

Holiday pay

The leave pay provision represents holiday balances accrued as a result of services rendered in the current period and which employees are entitled to carry forward. The provision is measured as the salary cost payable for the period of absence and is expected to be settled within three months of the reporting date.

QUADSCOT PRECISION ENGINEERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 1 October 2016

16 Deferred tax

Deferred tax is provided for at 17% (2015: 20%) in the financial statements and consists of the following:

	1 October 2016 £'000	3 October 2015 £'000
Accelerated capital allowances	61	83
Share based payments	(1)	-
Grant income	(17)	(31)
Unused losses carried forward	(21)	-
	<u>22</u>	<u>52</u>

Losses carried forward are expected to be recovered against future profits made by the company. The amount of deferred tax recognised in profit or loss was as follows:

	52 weeks ended 1 October 2016 £'000	53 weeks ended 3 October 2015 £'000
Accelerated capital allowances	(22)	(11)
Share based payments	(1)	-
Grant income	14	(31)
Unused losses carried forward	(21)	-
	<u>(30)</u>	<u>(42)</u>

17 Share capital

	1 October 2016 £'000	3 October 2015 £'000
Authorised, allotted and fully paid:		
30,000 ordinary shares of £1 each	<u>30</u>	<u>30</u>
	<u>30</u>	<u>30</u>

Ordinary shares

	2015 Number
At 4 October 2015 and 1 October 2016	<u>30,000</u>

QUADSCOT PRECISION ENGINEERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 1 October 2016

18 Reserves

Called-up share capital – represents the nominal value of shares that have been issued.

Capital contribution reserve – represents the cumulative value of equity-settled share options issued to the Company under the group's share scheme. Options are measured at fair value, using a Black-Scholes model.

Profit and loss account – includes all current and prior period retained profits and losses.

19 Share based payments

Employees of the Company are entitled to participate in an equity-settled share option scheme operated by the Company's ultimate parent company Pressure Technologies plc.

The options are granted with a fixed exercise price and have a vesting period of three to five years. The main vesting condition is that employees must remain in employment during the vesting period. There are no other performance or market conditions attached to the share options.

Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight line basis over the vesting period, based on the company's estimate of shares that will eventually vest. The other side of the entry is treated as Capital Contribution as the company is not required to reimburse its parent company for these awards.

The fair value of awards made with market performance conditions has been measured by a Black-Scholes model. Adjustments are made to the number of options expected to be exercised to reflect the likelihood that options will not be exercised due to non-market conditions (e.g. staff leaving before the options vest). These estimates are reviewed annually and the ongoing charge revised where appropriate.

Full details of all share based payment schemes can be found in the consolidated financial statements of Pressure Technologies plc.

20 Dividends

	52 weeks ended 1 October 2016 £'000	53 weeks ended 3 October 2015 £'000
Paid during the year (£nil per share (2015 - £60.87))	-	1,826
Declared post year end (£nil per share (2015 - £nil))	-	-

QUADSCOT PRECISION ENGINEERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 1 October 2016

21 Commitments under operating leases

The Company's future minimum operating lease payments are as follows:

	1 October 2016 £'000	3 October 2015 £'000
Due within one year	138	138
Total	138	138

The Company's operating lease relates to the main office space, which is leased from the parent company on a rolling twelve-month basis.

22 Other financial commitments

At the end of the period the Company had no other capital commitments (2015: £nil).

All of the company's assets are subject to fixed and floating charges as part of a Pressure Technologies Group cross guarantee agreement with the Bank of Scotland.

23 Related party disclosures

Transactions with group companies

As permitted by FRS 101 related party transactions with wholly owned members of the Pressure Technologies plc Group have not been disclosed.

24 Ultimate parent company and control

The Company is controlled by its immediate parent company Pressure Technologies plc, a company incorporated in England and Wales. The ultimate parent undertaking is Pressure Technologies plc.

The largest and smallest group in which the results of the Company are consolidated is that headed by the ultimate parent company Pressure Technologies plc. The consolidated accounts of Pressure Technologies plc are available from Unit 6B, Newton Business Centre, Newton Chambers Road, Chapeltown, Sheffield, S35 2PH, or on the group's website www.pressuretechnologies.com.

The ultimate controlling party is Pressure Technologies plc.

QUADSCOT PRECISION ENGINEERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 1 October 2016

25 Transition to FRS 101

The Company has adopted FRS 101 for the first time having previously applied UK GAAP that was effective before periods commencing on or after 1 January 2015. The date of transition to FRS 101 was 30 September 2014. The Company has restated its comparatives for the period ended 3 October 2015.

Explanation of changes

No adjustments affecting prior year profit or equity at 3 October 2015 and 28 September 2014 were necessary in the transition of Quadscot Precision Engineers Limited to FRS 101.

The transition adjustments made for FRS 101 relate to the presentation of holiday pay and restructuring accruals as provisions.