

**MERIT MERRELL TECHNOLOGY
LIMITED**

Annual Report and Financial Statements

For the year ended 31 March 2015



Annual Report and Financial Statements for the year ending 31 March 2015

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Annual Report and Financial Statements for the year ending 31 March 2015

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

C Berriman
A Wells
K Hynes (resigned 1st June 2015)
M McGrady

COMPANY SECRETARY

N Berriman

REGISTERED OFFICE

3 Silverton Court
Northumberland Business Park
Cramlington
Northumberland
NE23 7RY

SOLICITORS

Ward Hadaway
Sandgate House
102 Quayside
Newcastle upon Tyne
NE1 3DX

BANKERS

Bank of Scotland plc
1st Floor
Black Horse House
91 Sandyford Road
Newcastle upon Tyne
NE1 8HQ

AUDITOR

Deloitte LLP
Chartered Accountants and Statutory Auditor
Newcastle upon Tyne
United Kingdom

Annual Report and Financial Statements for the year ending 31 March 2015

STRATEGIC REPORT

BUSINESS REVIEW AND PRINCIPAL ACTIVITIES

The principal activities of the company during the year were clean technology facility design and installation, process pipework, mechanical and electrical engineering and project management.

The company reported an operating profit of £60,640 (2014: £485,840). The company uses the following key performance indicators (KPIs) to monitor and assess performance;

- Gross profit as % sales – 10.00% (2014: 12.67%) which has slightly decreased due to the sales mix in the current year.
- Profit after tax - £65,018 (2014: £521,644) which has reduced due to the sales mix in the year.
- Net Assets - £22,017 at 31 March 2015 (2014: £1,956,999), as a result of retained post tax profits generated during the year, offset by a dividend of £2,000,000 (2014: £200,000) paid.

FUTURE DEVELOPMENTS

The company continues to trade within the markets of cleanroom design and build, process pipe work installations and mechanical and electrical engineering and bespoke civil construction projects.

Sales have grown and this has enabled the company to generate a profit in 2015. This performance is expected to continue through 2016 with existing clients sales and tender successes contributing to what the directors anticipate will be further good levels of sales and profitability. Tender success and external markets will continue to influence the business but the directors are confident of the future success of the business.

The financial performance and position of the company is set out on pages 7 and 8. The company continues to meet its day to day working capital requirements through its group wide financing which includes a bank overdraft and bond facility which the directors foresee being sufficient for the foreseeable future. The group overdraft facility is due for renewal in June 2016 and the directors are confident that replacement facilities will be negotiated on acceptable terms.

The company's forecasts and projections take account of known and projected future work and prospects and support this view. A letter of support has been received from Merit Holdings Limited confirming its commitment to provide support if required. The Directors have considered the ability of Merit Holdings Limited to provide the funds if required. After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly we continue to adopt the going concern basis in preparing the annual report and financial statements.

On 1st April 2015 certain trade, assets and liabilities of Merit Merrell Technology Limited were transferred to Merit Holdings Limited and book value.

PRINCIPAL RISKS AND UNCERTAINTIES

The company operates in competitive markets where service, quality of work, price and good working relationships with customers are key value drivers. The directors believe the business to be well positioned to deliver this combination of values to our customers.

Contract Risk

Successful completion of the contracts undertaken by the group is obviously key to the success of the group and it is important that contracts are completed on time and to budget. The risk of unsuccessful contract performance is mitigated by senior management involvement throughout the contract period and by monthly contract reviews and regular quality reviews.

Health and Safety Risk

Health and Safety is a critical element of our business philosophy. We actively promote safe working practices with risk assessment/management and employee development being the key platforms for accident prevention. The company is committed to a healthier and safer environment in the workplace, the community in which it is located and the world in which we live. Details of the number of employees and related costs can be found in note 3 to the financial statements.

Annual Report and Financial Statements for the year ending 31 March 2015

STRATEGIC REPORT (continued)

PRINCIPAL RISKS AND UNDERTAINTIES (continued)

Interest Rate Risk

The company borrows using variable rate debt with the implication that floating rate borrowings are exposed to cash flow risk as costs increase if market rates rise. The directors do not consider there to be any significant exposure in the short or medium term.

Credit Risk

The company's principal financial assets are bank balances and trade and other receivables. The company's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. Additionally the company's credit control system helps to mitigate losses of this nature. As a result, the directors consider that credit risk is appropriately managed.

Approved by the Board of Directors and signed on behalf of the Board by:



M McGrady
4th December 2015

DIRECTORS' REPORT

The directors present their annual report on the affairs of the company together with the audited financial statements and auditor's report for the year ended 31 March 2015.

RESULTS AND DIVIDENDS

The results for the year are set out on page 7. The directors proposed and paid a dividend during the year of £2,000,000 to its parent company Merit Holdings Ltd (2014: £200,000).

DIRECTORS

The directors who served throughout the year and since were as follows:

C Berriman
A Wells
K Hynes (resigned 1st June 2015)
M McGrady

AUDITOR

Each of the directors at the date of approval of this report separately confirms that:

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

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

Deloitte LLP has expressed their willingness to continue as auditor of the company and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors and signed on behalf of the Board by:



M McGrady
4th December 2015

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the annual report and the audited 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). 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 year. 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;
- state whether applicable UK Accounting Standards have been followed; 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 MERIT MERRELL TECHNOLOGY LIMITED

We have audited the financial statements of Merit Merrell Technology Limited for the year ended 31 March 2015 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 14. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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, 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 (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2015 and of its profit 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.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and Directors Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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.

Kate Darlison

Kate Darlison FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Newcastle upon Tyne, United Kingdom

8 December 2015

MERIT MERRELL TECHNOLOGY LIMITED**PROFIT AND LOSS ACCOUNT
For the year ended 31 March 2015**

	Note	31 March 2015 £	31 March 2014 £
TURNOVER	1	42,527,172	31,598,455
Cost of sales		(38,276,099)	(27,593,578)
GROSS PROFIT		4,251,073	4,004,877
Administrative expenses		(4,190,433)	(3,519,037)
OPERATING PROFIT	2	60,640	485,840
Interest paid		-	(352)
Interest received		61	-
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		60,701	485,488
Tax credit on profit on ordinary activities	4	4,317	36,156
PROFIT FOR THE FINANCIAL YEAR	8	65,018	521,644

All amounts derive from continuing operations.

There are no recognised gains and losses for the financial year and for the preceding financial period other than as stated in the profit and loss account. Accordingly, no separate statement of total recognised gains and losses has been presented.

BALANCE SHEET
As at 31 March 2015

	Note	31 March 2015 £	31 March 2014 £
CURRENT ASSETS			
Debtors	5	10,242,993	12,714,279
Cash at bank and in hand		39,039	952,879
		<u>10,282,032</u>	<u>13,667,158</u>
CREDITORS: amounts falling due within one year	6	<u>(10,260,015)</u>	<u>(11,710,159)</u>
NET CURRENT ASSETS		22,017	1,956,999
NET ASSETS		<u>22,017</u>	<u>1,956,999</u>
CAPITAL AND RESERVES			
Called up share capital	7	500	500
Profit and loss account	8	21,517	1,956,499
SHAREHOLDERS' FUNDS	9	<u>22,017</u>	<u>1,956,999</u>

The financial statements were approved and authorised for issue by the Board of Directors on 4th December 2015.

Approved by and signed on behalf of the Board of Directors by:



M McGrady

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2015

1. ACCOUNTING POLICIES

The particular accounting policies adopted are described below. They have all been applied consistently in the current year and prior financial period.

Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom law and accounting standards.

Basis of preparation and going concern

The financial statements have been prepared on a going concern basis which assumes the company will continue in operational existence for the foreseeable future. This is disclosed in the Strategic Report under the heading "Future Developments". Further the directors are satisfied that the company will continue to successfully manage the principal risks and uncertainties which are also outlined in the Directors' Report under the heading "Principal Risks and Uncertainties".

After making enquiries the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly they continue to adopt the going concern basis in preparing the annual report and accounts.

Turnover

Turnover is stated net of VAT and trade discounts. Turnover from the sale of goods is recognised when the goods are physically delivered to the customer. Turnover from the supply of services represents the value of services provided under contracts to the extent that there is a right to consideration and is recorded at the value of the consideration due. Where a contract has only been partially completed at the balance sheet date turnover represents the value of the service provided to date based on a proportion of the total contract value.

Where payments are received from customers in advance of services provided, the amounts are recorded as payments received on account and included as part of Creditors due within one year.

Profit is recognised on long-term contracts, if the final outcome can be assessed with reasonable certainty, by including in the profit and loss account turnover and related costs as contract activity progresses. Turnover is calculated by reference to the value of work performed to date as a proportion of the total contract value.

Turnover is attributable to the Group's principal activity. All turnover originates and is derived in the UK.

Cash flow statement

The company has taken advantage of the exemption available to subsidiary undertakings contained in FRS1 "Cash Flow Statements" not to disclose a cash flow statement and associated notes.

Bank borrowings

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis in the profit or loss account using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Stocks

Stock is stated at the lower of historical cost and net realisable value.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2015

1. ACCOUNTING POLICIES (continued)

Long term contracts

The company's contracting activities are regarded as having the attributes of long-term contracts and are treated as follows:

- (i) The amount by which recorded turnover is in excess of payments on account is classified as amounts recoverable on contracts and separately disclosed within debtors.
- (ii) The balance of payments on account in excess of amounts (a) matched with turnover and (b) offset against long term contract balances are classified as payments on account and separately disclosed within creditors.
- (iii) The amount on long-term contracts, at costs incurred, net of amounts transferred to cost of sales, after deducting foreseeable losses and payments on account not matched with turnover are classified as long-term contract balances and separately disclosed within stocks.
- (iv) Contract cost accruals are included within accruals and deferred income in creditors falling due within one year.
- (v) Foreseeable losses on contracts are included within provisions for contract losses.

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax or a right to pay less tax at a future date at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those which are included in the financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Foreign currencies

Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated at the rates ruling at that date. The translation differences are dealt with in the profit and loss account.

2. OPERATING PROFIT

	31 March 2015	31 March 2014
	£	£
This is stated after charging:		
Auditor's remuneration – statutory audit services	7,500	7,500
Exchange Loss	27,211	-
Operating lease charges:		
Land and buildings	70,533	61,664
Other	18,772	26,008
	<u> </u>	<u> </u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2015

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

The company has 2 direct employees, both of who are directors (2014: 2). Other employees and the associated costs are within Merit Process Engineering Limited. The costs incurred in respect of these employees (including directors) were:

	2015	2014
	£	£
Wages and salaries	610,400	423,215
Social security costs	84,235	74,685
Pension costs	24,271	38,112
	<u>718,906</u>	<u>536,012</u>
Directors Emoluments		
- Aggregate emoluments	<u>718,906</u>	<u>536,012</u>
Total emoluments	<u>718,906</u>	<u>536,012</u>

Pension contributions of £24,271 (2014: £38,112) were made in respect of directors. The emoluments of the highest paid director were as follows:

Remuneration (including benefits in kind and pension contributions)	<u>551,070</u>	<u>421,394</u>
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NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2015

4. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2015 £	2014 £
United Kingdom corporation tax on profits for the year	-	2,713
Adjustment in respect of prior years	(4,317)	(38,869)
	<u>(4,317)</u>	<u>(36,156)</u>
Current tax credit	(4,317)	(36,156)
Deferred tax:		
Origination and reversal of timing differences	-	6,534
Adjustment in respect of prior years	-	(7,514)
Effect on changes in tax rates	-	980
	<u>-</u>	<u>-</u>
Deferred tax charge	-	-
Total tax credit on profit on ordinary activities	<u>(4,317)</u>	<u>(36,156)</u>

The tax credit/(charge) for the year differs from the standard rate of corporation tax in the UK of 20%. The differences are explained below:

	2015 £	2014 £
Profit on ordinary activities before tax	60,701	485,488
	<u>60,701</u>	<u>485,488</u>
Tax on profit at standard UK rate of 21% (2014: 20%)	12,747	97,098
Expenses not deductible for tax purposes	159	65
Research and development tax credit	(81,375)	(79,494)
Adjustment in respect of prior years	(4,317)	(38,869)
Group relief not paid for	13,891	(8,422)
Tax losses not utilised	54,579	-
Utilisation of tax losses	-	(6,534)
Roundings	(1)	-
	<u>(4,317)</u>	<u>(36,156)</u>
Tax credit for the year	<u>(4,317)</u>	<u>(36,156)</u>

The Finance Act 2013, which was substantively enacted in July 2013, included provisions to reduce the main rate of UK corporation tax to 21% effective from 1 April 2014 and 20% with effect from 1 April 2015. Accordingly 20% has been applied when calculating deferred tax assets and liabilities as at 31 March 2015.

Finance Act No2 2015, which was substantively enacted on 26 October 2015, includes further provisions to reduce the corporation tax to 19% with effect from 1 April 2017 and 18% with effect from 1 April 2020. As the enabling legislation has not been substantively enacted at the balance sheet date these rates do not apply to the deferred tax position at 30 April 2015.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2015

5. DEBTORS

	2015	2014
	£	£
Trade debtors	5,089,968	8,944,131
Corporation tax	43,185	38,648
Amounts recoverable on contracts	<u>5,109,840</u>	<u>3,731,500</u>
	<u>10,242,993</u>	<u>12,714,279</u>

Within trade debtors £311,902 (2014:£343,308) relate to retentions and are due over one year.

6. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2015	2014
	£	£
Trade creditors	2,703,668	2,265,095
Payments on account	1,028,267	795,000
Amounts owed to group companies	4,472,434	5,942,346
Accruals and deferred income	17,283	1,069,175
Other taxation and social security	<u>2,038,363</u>	<u>1,638,543</u>
	<u>10,260,015</u>	<u>11,710,159</u>

7. CALLED UP SHARE CAPITAL

	2015	2014
	£	£
Called up, allotted and fully paid		
500 ordinary shares of £1 each	<u>500</u>	<u>500</u>

8. STATEMENT OF MOVEMENT IN RESERVES

	£
Profit and loss account	
Balance at 1 April 2014	1,956,499
Profit for the year	65,018
Dividend	<u>(2,000,000)</u>
Balance at 31 March 2015	<u>21,517</u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2015

9. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2015	2014
	£	£
Profit for the period	65,018	521,644
Dividend paid	(2,000,000)	(200,000)
Opening shareholders' funds	1,956,999	1,635,355
	<u>22,017</u>	<u>1,956,999</u>
Closing shareholders' funds	<u>22,017</u>	<u>1,956,999</u>

10. OPERATING LEASE COMMITMENTS

At 31 March 2015 the company had annual commitments under non-cancellable operating leases as follows:

	2015	2015	2014	2014
	Land and buildings £	Other £	Land and buildings £	Other £
Operating leases which expire:				
Within one year	41,310	21,800	10,250	20,336
In the second to fifth years inclusive	41,000	21,064	41,000	23,601
Greater than five years	5,125	-	15,375	-
	<u>87,435</u>	<u>42,864</u>	<u>66,625</u>	<u>43,937</u>

11. PARENT UNDERTAKING AND CONTROLLING PARTY

The company's parent company and the smallest and largest group which includes the company and for which group financial statements are prepared, is Merit Holdings Limited. The accounts of Merit Holdings Limited are available from 3 Silverton Court, Northumberland Business Park, Cramlington, Northumberland, NE23 7RY

During the year the ultimate controlling parties were the directors of Merit Holdings Limited.

12. RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption available in FRS 8 "Related Party Disclosures" not to disclose transactions with other wholly owned companies in the same group.

13. CONTINGENT EVENTS AND LIABILITIES

A claim for circa £0.3m has been made against the group, which the directors believe is without foundation. If this claim were to be accepted and settled, the directors consider it more likely than not that an amount of not less than the claim would be reclaimed from another party.

There were contingent liabilities at 31 March 2015 in relation to cross guarantees of bank overdrafts given by the company on behalf of other group undertakings. The amount guaranteed at 31 March 2015 was £Nil (2014: £Nil). The group overdraft is secured by a fixed and floating charge over the assets of all Group companies.

14. EVENTS AFTER THE BALANCE SHEET DATE

On 1st April 2015 certain trade, assets and liabilities of Merit Merrell Technology Limited were transferred to Merit Holdings Limited and book value.