

**MERIT MERRELL TECHNOLOGY
LIMITED**

Annual Report and Financial Statements

18 months ended 31 March 2013



ANNUAL REPORT AND FINANCIAL STATEMENTS 2013

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ANNUAL REPORT AND FINANCIAL STATEMENTS 2013

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

C Berriman
A Wells
K Hynes
M McGrady

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 Registered Auditor
Newcastle upon Tyne

DIRECTORS' REPORT

The directors present their report on the affairs of the company together with the financial statements and auditor's report for the 18 month period ended 31 March 2013

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

BUSINESS REVIEW

The company reported an operating profit of £367,271 (2011 £369,143) The company uses the following key performance indicators (KPIs) to monitor and assess performance,

- Gross profit as % sales – 1.9% (2011 3.2%) which has reduced as a result of a different sales mix in the period
- Profit after tax - £353,837 (2011 £272,049) which has improved due to a reduced tax burden
- Net Assets – £1,635,355 at 31 March 2013 (2011 £1,791,518), as a result of retained post tax profits generated during the period, net of a dividend of £510,000 paid in the period

There has been a change in the Accounting Reference Date for the company from 30th September to 31st March, resulting in an 18 month period This was to bring the year end in line with the tax year and other companies within the group

REVIEW OF DEVELOPMENTS AND FUTURE PROSPECTS

The company has continued to trade within the markets of cleanroom design and build and process pipe work installations The company also includes mechanical and electrical engineering and bespoke civil construction projects within its core areas

Although the economy in general has continued to remain challenging, sales have grown and this has enabled the company to maintain a healthy profit in 2013 This performance is expected to continue through 2014 with existing clients sales and tender successes contributing to what the directors anticipate will be further improved sales levels 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 6 and 7 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 more than sufficient for the foreseeable future The group overdraft facility is due for renewal in June 2014 however the directors are confident that it will be renewed on similar terms

The company's forecasts and projections take account of known and projected future work and prospects and support this belief A letter of support has been received from Merit Holdings Limited confirming their commitment to provide necessary 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

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

DIRECTORS' REPORT (continued)

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.

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.

RESULTS AND DIVIDENDS

The results for the year are set out on page 6. The directors proposed and paid a dividend during the period of £510,000 to its parent company Merit Holdings Ltd (2011 £nil).

DIRECTORS

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

C Berriman
A Wells
K Hynes
M McGrady
R Pratt

(resigned 1st August 2012)

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



M McGrady
8th July 2013

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). 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,
- 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 period ended 31 March 2013 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses and the related notes 1 to 15. 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 Statement of Directors Responsibilities, 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. 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 2013 and of its profit 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.

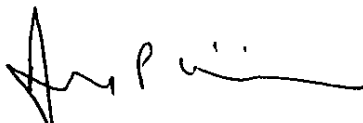
Opinion on other matter prescribed by the Companies Act 2006

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.

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.



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

8 July 2013

MERIT MERRELL TECHNOLOGY LIMITED

PROFIT AND LOSS ACCOUNT
18 month period ended 31 March 2013

	Note	18 Months to 31 March 2013 £	12 Months to 30 September 2011 £
TURNOVER	1,2	36,989,038	30,737,369
Cost of sales		(36,275,764)	(29,745,336)
GROSS PROFIT		713,274	992,033
Administrative expenses		(346,003)	(622,890)
OPERATING PROFIT	4	367,271	369,143
Interest paid		(67)	(7)
Interest received		884	522
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		368,088	369,658
Tax on profit on ordinary activities	5	(14,251)	(97,609)
PROFIT FOR THE FINANCIAL PERIOD		<u>353,837</u>	<u>272,049</u>

All amounts derive from continuing operations

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

MERIT MERRELL TECHNOLOGY LIMITED
Company Registration No. 4408755

BALANCE SHEET
31 March 2013

	Note	31 March 2013 £	30 September 2011 £
CURRENT ASSETS			
Stocks	6	3,258,300	1,451,948
Debtors	7	6,231,748	19,479,838
Cash at bank and in hand		524,645	668,331
		10,014,693	21,600,117
CREDITORS: amounts falling due within one year	8	(8,379,338)	(19,808,599)
NET CURRENT ASSETS		1,635,355	1,791,518
PROVISIONS FOR LIABILITIES	9	-	-
NET ASSETS		1,635,355	1,791,518
CAPITAL AND RESERVES			
Called up share capital	10	500	500
Profit and loss account	11	1,634,855	1,791,018
SHAREHOLDERS' FUNDS	12	1,635,355	1,791,518

These financial statements were approved and authorised for issue by the Board of Directors on 8th July 2013

Approved by and signed on behalf of the Board of Directors



M McGrady

NOTES TO THE ACCOUNTS
18 month period ended 31 March 2013

1. ACCOUNTING POLICIES

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

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 Directors' Report under the heading "Review of Developments and Future Prospects". 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.

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.

Stocks

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

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.

NOTES TO THE ACCOUNTS
18 month period ended 31 March 2013

1. ACCOUNTING POLICIES (continued)

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. TURNOVER ANALYSIS

An analysis of turnover by geographical market is as follows

	2013 £	2011 £
United Kingdom	36,945,944	23,625,838
Rest of Europe	-	223,515
Rest of World	43,094	6,888,016
	<u>36,989,038</u>	<u>30,737,369</u>

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

The company has 2 direct employees, both of who are directors (2011- 0). Other employees and the associated costs are within Merit Process Engineering Limited. The costs incurred in respect of these employees (including directors) were

	£	£
Wages and salaries	357,663	-
Social security costs	63,428	-
Pension costs	48,506	-
	<u>469,597</u>	<u>-</u>
Directors' Emoluments		
Aggregate emoluments	469,597	-
Total emoluments	<u>469,597</u>	<u>-</u>

Pension contributions of £48,506 (2011: £nil) 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>313,024</u>	<u>-</u>
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MERIT MERRELL TECHNOLOGY LIMITED

NOTES TO THE ACCOUNTS
18 month period ended 31 March 2013

4 OPERATING PROFIT

	2013	2011
	£	£
This is stated after charging		
Auditor's remuneration – for statutory audit services	5,000	5,000
	<u>5,000</u>	<u>5,000</u>

5. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2013	2011
	£	£
United Kingdom corporation tax at 24.5% (2011 – 27%) based on the profit for the year	78,469	96,868
Adjustment in respect of prior years	(59,111)	741
Foreign tax (relief)	(39,600)	-
	<u>(20,242)</u>	<u>97,609</u>
Foreign Tax suffered	34,493	-
	<u>14,251</u>	<u>97,609</u>
Current tax charge	14,251	97,609
Deferred tax		
Origination and reversal of timing differences	4,845	-
Adjustment in respect of prior years	(5,107)	-
Effect on changes in tax rates	262	-
	<u>-</u>	<u>-</u>
Deferred tax (credit) / charge	-	-
	<u>14,251</u>	<u>97,609</u>
Total tax on profit on ordinary activities	<u>14,251</u>	<u>97,609</u>

The differences between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax are as follows

	2013	2011
	£	£
Profit on ordinary activities before tax	368,088	369,658
Tax at 24.67% (2011 27%) thereon	90,801	99,807
Expenses not deductible for tax purposes	281	-
Utilisation of unrelieved foreign tax brought forward	(5,107)	-
Adjustment in respect of prior years	(59,111)	741
Group relief not paid for	(9,300)	(2,691)
Effects of other tax rates / credits	(3,313)	(248)
	<u>14,251</u>	<u>97,609</u>
Tax charge for the year	<u>14,251</u>	<u>97,609</u>

The Finance Act 2012, which provides for a reduction in the main rate of UK corporation tax to 23% effective from 1 April 2013, was enacted on 17 July 2012. As this rate was substantively enacted prior to 31 March 2013, it has been reflected in the deferred tax asset at 31 March 2013.

The UK Government has also indicated that it intends to enact further reductions in the main tax rate to 21% from 1 April 2014 and 20% from 1 April 2015. These changes to the main tax rate have not been substantively enacted at the Balance Sheet date, and, therefore, are not included in these financial statements.

NOTES TO THE ACCOUNTS
18 month period ended 31 March 2013

6. STOCKS

	2013 £	2011 £
Net costs less foreseeable losses	3,258,300	1,451,948
	<u>3,258,300</u>	<u>1,451,948</u>

7. DEBTORS

	2013 £	2011 £
Trade debtors	5,683,291	9,187,245
Amounts owed by group companies	548,457	10,192,593
Amounts recoverable on contracts	-	100,000
	<u>6,231,748</u>	<u>19,479,838</u>

All amounts are due within one year

8. CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR

	2013 £	2011 £
Amounts owed to group companies	6,997,384	17,910,527
Corporation tax	38,869	97,179
Accruals and deferred income	434,175	543,800
Other taxation and social security	908,910	1,257,093
	<u>8,379,338</u>	<u>19,808,599</u>

9. PROVISIONS FOR LIABILITIES

	2013 £	2011 £
Contract provisions		
Balance at 1 October 2011	-	158,000
Profit and loss account credit	-	(158,000)
	<u>-</u>	<u>-</u>
Balance at 31 March 2013	<u>-</u>	<u>-</u>

Contract provisions result from long term contracts, and are expected to be utilised within 12 months

NOTES TO THE ACCOUNTS
18 month period ended 31 March 2013

10. CALLED UP SHARE CAPITAL

	2013	2011
	£	£
Authorised		
500 ordinary shares of £1 each	500	500
	<u>500</u>	<u>500</u>
Called up, allotted and fully paid		
500 ordinary shares of £1 each	500	500
	<u>500</u>	<u>500</u>

11. STATEMENT OF MOVEMENT IN RESERVES

	£
Profit and loss account	
Balance at 1 October 2011	1,791,018
Profit for the year	353,837
Dividend	(510,000)
Balance at 31 March 2013	<u>1,634,855</u>

12. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2013	2011
	£	£
Profit for the year	353,837	272,049
Dividend Paid	(510,000)	-
Opening shareholders' funds	1,791,518	1,519,469
	<u>1,635,355</u>	<u>1,791,518</u>
Closing shareholders' funds		

13. PARENT UNDERTAKING AND CONTROLLING PARTY

The company's parent company and the smallest and largest group which includes the company and for which group accounts 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.

14. 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.

15. CONTINGENT EVENTS AND LIABILITIES

A claim for circa £0.3m has been made against the company, which the company rejects. If this claim were to be accepted and settled, the directors deem it more likely than not that an amount of not less than the claim can be reclaimed from another party.

An additional claim for circa £0.3m has been made against the group, which the group rejects. The group has a claim for significantly more than this amount against the other party and the directors deem it more likely than not that an amount of not less than the claim can be reclaimed from the other party.

There were contingent liabilities at 31 March 2013 in relation to cross guarantees of bank overdrafts given by the company on behalf of other group undertakings. The amount thus guaranteed at 31 March 2013 was £786,872 (30 September 2011: £nil). The group overdraft is secured by a fixed and floating charge over the assets of all Group companies.