

Financial Statements

Smith of Derby Group Limited

For the Year Ended 31 December 2015

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Registered number: 00135728

Smith of Derby Group Limited

Company Information

Directors	Mrs J V H Millar J G Smith J N W Smith Dr J H Smith Mrs M H Whitworth J Bowler
Company secretary	P Barry
Registered number	00135728
Registered office	112 Alfreton Road Derby Derbyshire DE21 4AU
Independent auditor	Grant Thornton UK LLP Chartered Accountants & Statutory Auditor Regent House 80 Regent Road Leicester LE1 7NH
Bankers	HSBC Bank plc 1 St Peters Street Derby Derbyshire DE21 2AE

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Group strategic report

For the Year Ended 31 December 2015

Business review

The group has continued to invest in its people, process, product and infrastructure despite a challenging market.

The Group returned to profitability in 2015 as a consequence of success in winning international projects in previous years. Prospects for 2016 and beyond are encouraging.

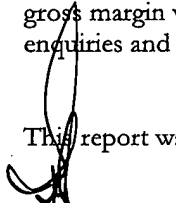
Principal risks and uncertainties

The principal risks and uncertainties relate to the state of the UK and global economies, and to specific market related issues. The Board is conscious of the hesitant nature of the recovery in the construction industry, however the Group has seen a lift in the market place in the last twelve months. Competition in the sector remains intense with a number of new businesses with low cost structures emerging. The Group does however have unique skills which set it apart in terms of design and production ability and anticipates further increase in demand as business activity levels continue to improve.

Financial key performance indicators

The Board monitors performance closely on a monthly basis against detailed budgets. Closely scrutinised is the gross margin which came in close to expectations at 47%. The Board closely tracks the number and values of enquiries and the actual order intake on a weekly basis and these all showed improvements during the year.

This report was approved by the board on 29 September 2016 and signed on its behalf.



J Bowler
Director

Directors' report

For the Year Ended 31 December 2015

The directors present their report and the financial statements for the year ended 31 December 2015.

Directors' responsibilities statement

The directors are responsible for preparing the Group strategic report, the Directors' report and the consolidated 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. 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 the Group and of the profit or loss of the Group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the Group financial statements and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group 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 the Group 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 the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Results and dividends

The profit for the year, after taxation, amounted to £376,076 (2014 -loss £231,783).

The directors have proposed a dividend of £50,000 (2014 - £nil).

Financial risks and uncertainties

The group uses financial instruments, other than derivatives, comprising cash borrowings, cash and other liquid resources and various other items such as trade debtors and creditors that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the group's operations. The main risks arising from the group's financial instruments are credit risk, liquidity risk and foreign currency risk. The directors review and agree policies for managing each of these risks and they are summarised below. The policies have remained unchanged from previous periods.

Credit risk

In order to manage credit risk the directors set limits for customers based on a combination of payment history and third party credit references. Credit limits are reviewed by the credit controller on a regular basis in conjunction with debt ageing and collection history.

Liquidity risk

The group seeks to manage liquidity risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. Primarily this is achieved through bank facilities arranged at group level.

Currency risk

The group is exposed to transaction foreign exchange risk. Transaction exposures are hedged when known, mainly using the forward hedge market.

Directors' report (continued)

For the Year Ended 31 December 2015

Research and development activities

The group research and development activities are related to advancements in technologies to be implemented within clocks.

Disclosure of information to auditor

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the Company and the Group's auditor is unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company and the Group's auditor is aware of that information.

Auditors

Under section 487(2) of the Companies Act 2006, Grant Thornton UK LLP will be deemed to have been reappointed as auditor 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the accounts with the registrar, whichever is earlier.

This report was approved by the board on 29 September 2016 and signed on its behalf.



J Bowler
Director



Independent Auditor's Report to the Members of Smith of Derby Group Limited

We have audited the financial statements of Smith of Derby Group Limited for the year ended 31 December 2015, which comprise the consolidated Profit and loss account, the consolidated and Company Balance sheets, the consolidated and Company statement of changes in equity, the consolidated Statement of cash flows and reconciliation of net cash flow to movement in net funds/debt and the related notes. 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 Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

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 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 Group's and of the parent Company's affairs as at 31 December 2015 and of the Group's 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 Group strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.



Independent Auditor's Report to the Members of Smith of Derby Group Limited

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 by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company 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.

A handwritten signature in black ink that reads "Grant Thornton UK LLP".

Christopher Frostwick (Senior statutory auditor)
for and on behalf of
Grant Thornton UK LLP
Statutory Auditor
Chartered Accountants
Leicester

29 September 2016

Consolidated statement of comprehensive income

For the Year Ended 31 December 2015

	Note	2015 £	2014 £
Turnover		4,658,221	3,264,418
Cost of sales		(2,473,802)	(1,680,884)
Gross profit		2,184,419	1,583,534
Administrative expenses		(1,926,540)	(1,858,200)
Other operating income		43,075	45,530
Operating profit/(loss)		300,954	(229,136)
Interest receivable and similar income		1,252	127
Interest payable and similar charges	9	(7,884)	(5,081)
Profit/(loss) on ordinary activities before taxation		294,322	(234,090)
Taxation on profit/(loss) on ordinary activities	10	81,754	2,307
Profit/(loss) for the financial year		376,076	(231,783)

There were no other items of comprehensive income for 2015 (2014: £NIL).

The notes on pages 17 to 36 form part of these financial statements.

Consolidated balance sheet

As at 31 December 2015

	Note	£	2015 £	£	2014 £
Fixed assets					
Intangible assets	11		87,598		94,796
Tangible assets	12		1,104,702		1,156,841
Investment property	13		550,000		550,000
			<u>1,742,300</u>		<u>1,801,637</u>
Current assets					
Stocks	15	349,791		492,361	
Debtors: Amounts falling due within one year	16	936,137		709,615	
Cash at bank and in hand	17	1,137,952		339,693	
		<u>2,423,880</u>		<u>1,541,669</u>	
Creditors: Amounts falling due within one year	18	(1,626,162)		(1,082,987)	
Net current assets			<u>797,718</u>		<u>458,682</u>
Total assets less current liabilities			<u>2,540,018</u>		<u>2,260,319</u>
Creditors: Amounts falling due after more than one year	19		(7,141)		(23,518)
Net assets			<u><u>2,532,877</u></u>		<u><u>2,236,801</u></u>

Smith of Derby Group Limited

Registered number: 00135728

Consolidated balance sheet (continued)

As at 31 December 2015

	Note	2015 £	2014 £
Called up share capital	22	4,503	4,503
Revaluation reserve	23	839,993	839,993
Capital redemption reserve	23	6,500	6,500
Profit and loss account	23	1,681,881	1,385,805
		<u>2,532,877</u>	<u>2,236,801</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:



J Bowler
Director

Date: 29 September 2016

Company balance sheet

As at 31 December 2015

	Note	£	2015 £	£	2014 £
Fixed assets					
Intangible assets	11		80,448		84,071
Tangible assets	12		2,688		2,707
Investments	14		123,571		43,571
Investment property	13		1,594,174		1,530,553
			<u>1,800,881</u>		<u>1,660,902</u>
Current assets					
Debtors: Amounts falling due within one year	16	2,640		861,678	
Cash at bank and in hand	17	979,486		313,295	
		<u>982,126</u>		<u>1,174,973</u>	
Creditors: Amounts falling due within one year	18	(97,554)		(12,838)	
			<u>884,572</u>		<u>1,162,135</u>
Net current assets					
			<u>2,685,453</u>		<u>2,823,037</u>
Total assets less current liabilities					
Creditors: Amounts falling due after more than one year	19		(18,822)		(23,822)
			<u>2,666,631</u>		<u>2,799,215</u>
Net assets					

Smith of Derby Group Limited

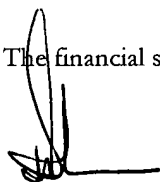
Registered number: 00135728

Company balance sheet (continued)

As at 31 December 2015

	Note	31 December 2015 £	31 December 2014 £
Capital and reserves			
Called up share capital	22	4,503	4,503
Revaluation reserve	23	839,993	839,993
Capital redemption reserve	23	6,500	6,500
Profit and loss account	23	1,815,635	1,948,219
		<u>2,666,631</u>	<u>2,799,215</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:



J Bowler
Director

Date: 29 September 2016

Consolidated statement of changes in equity

As at 31 December 2015

	Share capital	Capital redemption reserve	Revaluation reserve	Retained earnings	Total equity
	£	£	£	£	£
At 1 January 2015	4,503	6,500	839,993	1,385,805	2,236,801
Comprehensive income for the year					
Profit for the year	-	-	-	376,076	376,076
Contributions by and distributions to owners					
Purchase of shares in subsidiary	-	-	-	(80,000)	(80,000)
Total contributions by and distributions to owners	-	-	-	(80,000)	(80,000)
At 31 December 2015	4,503	6,500	839,993	1,681,881	2,532,877

Consolidated statement of changes in equity

As at 31 December 2014

	Share capital	Capital redemption reserve	Revaluation reserve	Retained earnings	Total equity
	£	£	£	£	£
At 1 January 2014	4,503	6,500	958,435	1,499,146	2,468,584
Comprehensive income for the year					
Loss for the year	-	-	-	(231,783)	(231,783)
Transfer to/from profit and loss account	-	-	(118,442)	118,442	-
Total contributions by and distributions to owners	-	-	(118,442)	118,442	-
At 31 December 2014	4,503	6,500	839,993	1,385,805	2,236,801

The notes on pages 17 to 36 form part of these financial statements.

Company statement of changes in equity

For the Year Ended 31 December 2015

	Called up share capital	Capital redemption reserve	Revaluation reserve	Profit and loss account	Total equity
	£	£	£	£	£
At 1 January 2015	4,503	6,500	839,993	1,948,219	2,799,215
Comprehensive income for the year					
Loss for the year	-	-	-	(132,584)	(132,584)
Total comprehensive income for the year	-	-	-	(132,584)	(132,584)
At 31 December 2015	4,503	6,500	839,993	1,815,635	2,666,631

Company statement of changes in equity

For the Year Ended 31 December 2014

	Called up share capital	Capital redemption reserve	Revaluation reserve	Profit and loss account	Total equity
	£	£	£	£	£
At 1 January 2014	4,503	6,500	958,435	1,834,434	2,803,872
Comprehensive income for the year					
Loss for the year	-	-	-	(4,657)	(4,657)
Surplus on revaluation of freehold property	-	-	-	118,442	118,442
Total comprehensive income for the year	-	-	-	113,785	113,785
Transfer to/from profit and loss account	-	-	(118,442)	-	(118,442)
Total transactions with owners	-	-	(118,442)	-	(118,442)
At 31 December 2014	4,503	6,500	839,993	1,948,219	2,799,215

The notes on pages 17 to 36 form part of these financial statements.

Consolidated statement of cash flows

For the Year Ended 31 December 2015

	2015 £	2014 £
Cash flows from operating activities		
Profit/(loss) for the financial year	376,076	(231,783)
Adjustments for:		
Amortisation of intangible assets	12,514	3,575
Depreciation of tangible assets	164,156	46,808
Profit on disposal of tangible assets	(3,153)	(21,016)
Interest paid	7,884	5,081
Interest received	(1,252)	(127)
Taxation	(81,754)	(2,307)
Decrease/(increase) in stocks	142,571	(23,280)
(Increase)/decrease in debtors	(184,633)	245,368
Increase/(decrease) in creditors	679,755	(175,208)
Corporation tax paid	33,226	-
Net cash generated from operating activities	1,145,390	(152,889)
Cash flows from investing activities		
Purchase of intangible fixed assets	(5,316)	(4,674)
Purchase of tangible fixed assets	(113,414)	(9,430)
Sale of tangible fixed assets	4,550	214,214
Purchase of shares in subsidiary	(80,000)	(5,000)
Interest received	1,252	127
HP interest paid	(1,960)	(3,321)
Net cash from investing activities	(194,888)	191,916

Consolidated Statement of cash flows (continued)

For the Year Ended 31 December 2015

	2015 £	2014 £
Cash flows from financing activities		
Repayment of/new finance leases	4,100	(18,906)
Interest paid	(5,924)	(1,760)
Net cash used in financing activities	(1,824)	(20,666)
Cash and cash equivalents at beginning of year	80,202	61,841
Cash and cash equivalents at the end of year	1,028,880	80,202
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	1,137,952	339,693
Bank overdrafts	(109,072)	(259,491)
	1,028,880	80,202

The notes on pages 17 to 36 form part of these financial statements.

Notes to the financial statements

For the Year Ended 31 December 2015

1. General information

Smith of Derby Group Limited, is the ultimate parent undertaking. The registered office is 112 Alfreton Road, Derby, DE21 4AU.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

Information on the impact of first-time adoption of FRS 102 is given in note 26.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgment in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Basis of consolidation

The consolidated financial statements present the results of the Group and its own subsidiaries ("the Group") as if they form a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the Balance sheet, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Consolidated statement of comprehensive income from the date on which control is obtained. They are deconsolidated from the date control ceases.

In accordance with the transitional exemption available in FRS 102, the group has chosen not to retrospectively apply the standard to business combinations that occurred before the date of transition to FRS 102, being 01 January 2014.

2.3 Going concern

The Group's business activities, together with factors likely to affect its future development, performance and position are set out in the business review on page 1.

Forecasts covering the period to 31 December 2017 have been prepared. These forecasts show that the Group can continue as a going concern.

The Directors therefore have a reasonable expectation that the Group will be able to continue as a going concern for the foreseeable future, and for this reason they continue to adopt the going concern basis in preparing the financial statements

Notes to the financial statements

For the Year Ended 31 December 2015

2. Accounting policies (continued)

2.4 Revenue

Turnover comprises revenue recognised by the company in respect of goods and services supplied during the year, exclusive of Value Added Tax and trade discounts.

Revenue on maintenance contracts is recognised at the date of the annual visit to reflect the completion of the group's contractual obligations. Revenue received in advance is deferred until the group's contractual obligations have been met.

Revenue and profits are recognised on installation contracts during the period of the contract where the ultimate outcome can be foreseen with reasonable certainty, with full provision made for any losses expected to arise over their duration. Turnover recognised in excess of sales invoices raised is recorded within other debtors. Sales invoices raised in excess of revenue are deferred in the balance sheet.

Revenue on chargeable repair work is recognised on completion.

In respect of long-term contracts and contracts for on-going services, turnover represents the value of the work done in the year, including estimates of amounts not invoiced. Turnover in respect of long-term contracts and contracts for on-going services is recognised by reference to the stage of completion.

2.5 Intangible assets

Goodwill

Goodwill represents the difference between amounts paid on the cost of a business combination and the acquirer's interest in the fair value of the Group's share of its identifiable assets and liabilities of the acquiree at the date of acquisition. Subsequent to initial recognition, Goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight line basis to the Profit and loss account over its useful economic life.

Other intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses. All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed five years.

2.6 Tangible fixed assets

Tangible fixed assets under the cost model, other than investment properties, are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Notes to the financial statements

For the Year Ended 31 December 2015

2. Accounting policies (continued)

2.6 Tangible fixed assets (continued)

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives.

Depreciation is provided on the following basis:

Freehold property	- 2% on valuation
Plant & machinery	- 15% - 33% on cost
Motor vehicles	- 25% on cost

2.7 Research and development

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred. Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured. The capitalised development costs are subsequently amortised on a straight line basis over their useful economic lives, which range from 3 to 6 years.

If it is not possible to distinguish between the research phase and the development phase of an internal project, the expenditure is treated as if it were all incurred in the research phase only.

2.8 Investment property

Investment property is carried at fair value determined annually and derived from the current market rents and investment property yields for comparable real estate, adjusted if necessary for any difference in the nature, location or condition of the specific asset. No depreciation is provided. Changes in fair value are recognised in the Profit and loss account.

2.9 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment. Where merger relief is applicable, the cost of the investment in a subsidiary undertaking is measured at the nominal value of the shares issued together with the fair value of any additional consideration paid.

2.10 Stocks

Stocks and work in progress are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Work in progress and finished goods include labour and attributable overheads.

Profit on long-term contracts is calculated on a reasonable basis to reflect the proportion of work carried out at the year end. Full provision is made for losses on all long-term contracts in the year in which they are first foreseen.

Notes to the financial statements

For the Year Ended 31 December 2015

2. Accounting policies (continued)

2.11 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.12 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Consolidated statement of cash flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Group's cash management.

2.13 Financial instruments

The Group only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Profit and loss account.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Group would receive for the asset if it were to be sold at the balance sheet date.

Financial assets and liabilities are offset and the net amount reported in the Balance sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Notes to the financial statements

For the Year Ended 31 December 2015

2. Accounting policies (continued)

2.14 Creditors

Short term creditors are measured at the transaction price.

2.15 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Profit and loss account except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Profit and loss account within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Profit and loss account within 'other operating income'.

2.16 Leased assets

Assets obtained under hire purchase contract and finance leases are capitalised as tangible fixed assets. Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives. Assets acquired by hire purchase are depreciated over their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the company. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

2.17 Borrowing costs

All borrowing costs are recognised in the Profit and loss account in the year in which they are incurred.

Notes to the financial statements

For the Year Ended 31 December 2015

2. Accounting policies (continued)

2.18 Provisions for liabilities

Provisions are made where an event has taken place that gives the Group a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Profit and loss account in the year that the Group becomes aware of the obligation, and are measured at the best estimate at the Balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance sheet.

2.19 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Profit and loss account, except that a change attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company and the Group operate and generate income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the Group can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Notes to the financial statements

For the Year Ended 31 December 2015

3. Judgements in applying accounting policies and key sources of estimation uncertainty

Many of the amounts included in the financial statements involve the use of judgements and/or estimation. These judgements and estimates are based on the directors' prior experiences and using their best knowledge of the relevant facts and circumstances. Actual results may differ from the amounts included in the financial statements. Information about such judgements and estimations is contained in the accounting policies and/or notes to the financial statements. Key judgements/estimations made by directors are:

- Bad debt provision which is reviewed on a client by client basis, and judgement is made on likelihood of debt being recovered.
- Depreciation rates are based on estimates of useful life of assets involved.
- State of completion and likely outcome of profitability on long term projects.

4. Turnover

Analysis of turnover by country of destination:

	2015 £	2014 £
United Kingdom	2,918,345	3,055,418
Rest of Europe	1,739,876	209,000
	<u>4,658,221</u>	<u>3,264,418</u>

5. Other operating income

	2015 £	2014 £
Net rents receivable	43,000	45,150
Sundry income	75	380
	<u>43,075</u>	<u>45,530</u>

Notes to the financial statements

For the Year Ended 31 December 2015

6. Operating profit/(loss)

The operating profit/(loss) is stated after charging:

	2015	2014
	£	£
Research & development charged as an expense	9,601	11,301
Depreciation of tangible fixed assets	164,156	46,808
Amortisation of intangible assets, including goodwill	12,514	3,575
Auditors remuneration	20,600	17,000
Auditors remuneration - non audit	6,150	5,400
Exchange differences	2,544	(7,757)

7. Employees

Staff costs, including directors' remuneration, were as follows:

	2015	2014
	£	£
Wages and salaries	1,973,956	1,706,804
Social security costs	22,000	206,597
	<u>1,995,956</u>	<u>1,913,401</u>

The average monthly number of employees, including the directors, during the year was as follows:

	2015	2014
	No.	No.
Production staff	31	30
Administrative staff	38	37
	<u>69</u>	<u>67</u>

8. Directors' remuneration

	2015	2014
	£	£
Directors' emoluments	109,148	120,336

Notes to the financial statements

For the Year Ended 31 December 2015

9. Interest payable and similar charges

	2015 £	2014 £
Bank interest payable	5,824	1,760
Finance leases and hire purchase contracts	1,960	3,321
Other interest payable	100	-
	<u>7,884</u>	<u>5,081</u>

10. Taxation

	2015 £	2014 £
Corporation tax		
Current tax on profits for the year	-	6,638
Adjustments in respect of previous periods	(39,864)	-
	<u>(39,864)</u>	<u>6,638</u>
Deferred tax		
Origination and reversal of timing differences	(41,890)	(8,945)
Taxation on loss on ordinary activities	<u>(81,754)</u>	<u>(2,307)</u>

Notes to the financial statements

For the Year Ended 31 December 2015

10. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2014 -higher than) the standard rate of corporation tax in the UK of 20.25% (2014 - 20%). The differences are explained below:

	2015 £	2014 £
(Loss)/profit on ordinary activities before tax	294,322	(234,090)
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20.25% (2014 -20%)	60,919	(46,818)
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	933	559
Capital allowances for year in excess of depreciation	-	(3,561)
Fixed asset timing differences	2,394	(1,710)
Adjustments to tax charge in respect of prior periods	(39,864)	-
Adjustments to tax charge in respect of prior periods - deferred tax	8,019	-
Short term timing difference leading to an increase (decrease) in taxation	-	3,799
Chargeable gains and losses	(964)	-
Unrelieved tax losses carried forward	-	52,659
Deferred tax not previously recognised	(119,583)	-
Adjustment of deferred tax to average rate	6,121	(7,235)
Other tax adjustments	213	-
Other timing differences	58	-
Total tax charge for the year	(81,754)	(2,307)

Factors that may affect future tax charges

The group has unprovided tax losses carried forward of £484,401 (2014: £856,000)

Notes to the financial statements

For the Year Ended 31 December 2015

11. Intangible assets

Group

	Development costs £	Goodwill £	Total £
Cost			
At 1 January 2015	84,071	27,875	111,946
Additions	5,316	-	5,316
At 31 December 2015	89,387	27,875	117,262
Amortisation			
At 1 January 2015	-	17,150	17,150
Charge for the year	8,939	3,575	12,514
At 31 December 2015	8,939	20,725	29,664
Net book value			
At 31 December 2015	80,448	7,150	87,598
At 31 December 2014	84,071	10,725	94,796

Company

	Development costs £
Cost	
At 1 January 2015	84,071
Additions	5,316
At 31 December 2015	89,387
Amortisation	
Charge for the year	8,939
At 31 December 2015	8,939
Net book value	
At 31 December 2015	80,448
At 31 December 2014	84,071

Notes to the financial statements

For the Year Ended 31 December 2015

12. Tangible fixed assets

Group

	Freehold property £	Plant & machinery £	Motor vehicles £	Total £
Cost or valuation				
At 1 January 2015	1,025,181	638,313	140,970	1,804,464
Additions	67,238	46,176	-	113,414
Disposals	-	(11,596)	(28,296)	(39,892)
At 31 December 2015	<u>1,092,419</u>	<u>672,893</u>	<u>112,674</u>	<u>1,877,986</u>
Depreciation				
At 1 January 2015	34,592	485,753	127,278	647,623
Charge for the year	13,647	145,251	5,258	164,156
Disposals	-	(10,162)	(28,333)	(38,495)
At 31 December 2015	<u>48,239</u>	<u>620,842</u>	<u>104,203</u>	<u>773,284</u>
Net book value				
At 31 December 2015	<u>1,044,180</u>	<u>52,051</u>	<u>8,471</u>	<u>1,104,702</u>
At 31 December 2014	<u>990,589</u>	<u>152,560</u>	<u>13,692</u>	<u>1,156,841</u>

The net book value of assets held under finance leases or hire purchase contracts, included above, are as follows:

	2015 £	2014 £
Motor vehicles	<u>6,419</u>	<u>11,677</u>
	<u>6,419</u>	<u>11,677</u>

Notes to the financial statements

For the Year Ended 31 December 2015

Company

	Plant & machinery £	Motor vehicles £	Total £
Cost or valuation			
At 1 January 2015	327,577	12,950	340,527
Additions	500	-	500
Disposals	(4,850)	-	(4,850)
At 31 December 2015	323,227	12,950	336,177
Depreciation			
At 1 January 2015	324,871	12,950	337,821
Charge for the year	518	-	518
Disposals	(4,850)	-	(4,850)
At 31 December 2015	320,539	12,950	333,489
At 31 December 2015	2,688	-	2,688
At 31 December 2014	2,707	-	2,707

Notes to the financial statements

For the Year Ended 31 December 2015

13. Investment property

Group

	Freehold investment property £
Valuation	
At 1 January 2015	550,000
At 31 December 2015	<u>550,000</u>
Comprising	
Cost	200,000
Annual revaluation surplus/(deficit):	
2007	490,000
2011	(140,000)
At 31 December 2015	<u>550,000</u>

The 2015 valuations were made by the directors, on an open market value for existing use basis.

Company

	Freehold investment property £
Valuation	
At 1 January 2015	1,530,553
Additions at cost	63,621
At 31 December 2015	<u>1,594,174</u>

The 2015 valuations were made by the directors, on an open market value for existing use basis.

Notes to the financial statements

For the Year Ended 31 December 2015

14. Fixed asset investments

Company

	Investments in subsidiary companies £
Cost or valuation	
At 1 January 2015	43,571
Additions	80,000
At 31 December 2015	<u>123,571</u>
At 31 December 2015	<u>-</u>
Net book value	
At 31 December 2015	<u>123,571</u>
At 31 December 2014	<u>43,571</u>

15. Stocks

	Group 2015 £	Group 2014 £	Company 2015 £	Company 2014 £
Raw materials and consumables	272,209	427,851	-	-
Work in progress	77,582	64,510	-	-
	<u>349,791</u>	<u>492,361</u>	<u>-</u>	<u>-</u>

Stock recognised in cost of sales during the year as an expense was £715,044 (2015: £542,743).

Notes to the financial statements

For the Year Ended 31 December 2015

16. Debtors

	Group 2015 £	Group 2014 £	Company 2015 £	Company 2014 £
Due within one year				
Trade debtors	737,849	553,185	-	-
Amounts owed by group undertakings	-	-	-	841,516
Other debtors	30,806	90,505	-	-
Prepayments and accrued income	101,852	54,328	-	-
Tax recoverable	3,578	(8,565)	-	-
Deferred taxation	62,052	20,162	2,640	20,162
	<u>936,137</u>	<u>709,615</u>	<u>2,640</u>	<u>861,678</u>

Trade debtors are stated after a provision of £12,131 (2014: £16,834)

Included within other debtors due within one year is a directors loan account, amounting to £NIL (2014 -£28,619). This was repaid in full in the year.

17. Cash and cash equivalents

	Group 2015 £	Group 2014 £	Company 2015 £	Company 2014 £
Cash at bank and in hand	1,137,952	339,693	979,486	313,295
Less: bank overdrafts	(109,072)	(259,491)	-	-
	<u>1,028,880</u>	<u>80,202</u>	<u>979,486</u>	<u>313,295</u>

18. Creditors: Amounts falling due within one year

	Group 2015 £	Group 2014 £	Company 2015 £	Company 2014 £
Bank overdrafts	109,072	259,491	-	-
Trade creditors	275,055	192,244	-	-
Amounts owed to group undertakings	-	-	81,594	-
Corporation tax	-	6,638	-	-
Taxation and social security	89,979	162,266	-	-
Obligations under finance lease and hire purchase contracts	9,905	(5,572)	-	-
Other creditors	1,132,034	466,493	5,843	5,842
Accruals and deferred income	10,117	1,427	10,117	6,996
	<u>1,626,162</u>	<u>1,082,987</u>	<u>97,554</u>	<u>12,838</u>

Notes to the financial statements

For the Year Ended 31 December 2015

19. Creditors: Amounts falling due after more than one year

	Group 2015 £	Group 2014 £	Company 2015 £	Company 2014 £
Net obligations under finance leases and hire purchase contracts	7,141	18,518	-	-
Amounts owed to group undertakings	-	-	18,822	18,822
Other creditors	-	5,000	-	5,000
	<u>7,141</u>	<u>23,518</u>	<u>18,822</u>	<u>23,822</u>

20. Financial instruments

	Group 2015 £	Group 2014 £	Company 2015 £	Company 2014 £
Financial assets that are debt instruments measured at amortised cost	825,549	680,676	979,486	313,295
	<u>825,549</u>	<u>680,676</u>	<u>979,486</u>	<u>313,295</u>
Financial liabilities measured at amortised cost	(1,623,186)	(1,116,222)	(106,259)	(29,664)
	<u>(1,623,186)</u>	<u>(1,116,222)</u>	<u>(106,259)</u>	<u>(29,664)</u>

Financial assets measured at amortised cost comprise trade debtors, amounts owed to group undertakings, other debtors, tax recoverable and cash and cash equivalents.

Financial liabilities measured at amortised cost comprise bank overdrafts, trade creditors, taxation and social security, obligations under finance lease and all other creditors.

21. Deferred tax asset

Group	2015 £	2014 £
At beginning of year	20,162	11,217
Credited to the profit and loss	41,890	8,945
At the end of the year	<u>62,052</u>	<u>20,162</u>

Notes to the financial statements

For the Year Ended 31 December 2015

Company

	2015 £	2014 £
At beginning of year	20,162	11,217
Charged to the profit and loss	(17,522)	8,945
At the end of the year	2,640	20,162

The deferred tax asset is made up as follows:

	Group 2015 £	Group 2014 £	Company 2015 £	Company 2014 £
Fixed asset timing difference	(298)	6,255	(7,282)	6,255
Losses and other deductions	87,192	13,907	36,867	13,907
Capital gains	(26,945)	-	(26,945)	-
Short term timing differences	2,103	-	-	-
	62,052	20,162	2,640	20,162

22. Share capital

	2015 £	2014 £
Shares classified as equity		
Allotted, called up and fully paid		
4,503 Ordinary shares of £1 each	4,503	4,503

23. Reserves

Revaluation reserve

The reserve is the accumulated gains on revalued property.

Capital redemption reserve

This reserve records the nominal value of shares repurchased by the company.

Profit & loss account

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

Notes to the financial statements

For the Year Ended 31 December 2015

24. Related party transactions

Group

The group is exempt from the requirements of FRS102 to disclose transactions with other members of the group.

J N W Smith and his family are the group's ultimate controlling related parties by virtue of their shareholdings and directorships.

The group was charged £30,000 (2014: £16,250) for general advisory services from Cooper Parry Group Limited. This is a related party by virtue of Jeremy Bowler being a director of the company and also being an employee of Cooper Parry Group Limited. The balance outstanding at the year end was £3,750 (2014: £15,000).

25. Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Holding	Principal activity
Smith of Derby Limited	100 %	Manufacture of timepieces
J B Joyce and Company Limited	100 %	Dormant
B & H (Derby) Limited	100 %	Dormant
William Potts and Sons Limited	100 %	Dormant
G & F Cope & Co Limited	100 %	Dormant
Smith of Derby (Scandinavia) Limited	100 %	Dormant
John Whitehurst Limited	75 %	Dormant
J Ritchie & Son (Clockmasters) Limited	100 %	Maintenance of timepieces

The investment in John Whitehurst Limited is held by Smith of Derby Limited.

On 11 June 2015 Smith of Derby Limited became a 100% owned subsidiary of the group.

Notes to the financial statements

For the Year Ended 31 December 2015

26. Transition to FRS 102

The Group and Company transitioned to FRS 102 from previously extant UK GAAP as at 1 January 2014. The impact of the transition to FRS 102 is as follows:

Reconciliation of equity at 1 January 2014

	Note	Group £	Company £
Equity at 1 January 2014 under previous UK GAAP		2,468,584	2,787,835
Equity shareholders funds at 1 January 2014 under FRS 102		2,468,584	2,787,835

Reconciliation of equity at 31 December 2014

	Note	Group £	Company £
Equity at 31 December 2014 under previous UK GAAP		2,236,801	2,783,178
Transitional adjustment 1		-	16,037
Equity shareholders funds at 31 December 2014 under FRS 102		2,236,801	2,799,215

Reconciliation of profit and loss account for the year ended 31 December 2014

	Group £	Company £
Loss for the year under UK GAAP	(231,783)	(4,657)
Transitional adjustment 1	-	16,037
Loss/profit for the year ended 31 December 2014 under FRS 102	(231,783)	11,380

The following were changes in accounting policies arising from the transition to FRS 102:

- 1 Treatment of property as investment property in Smith of Derby Group company only.