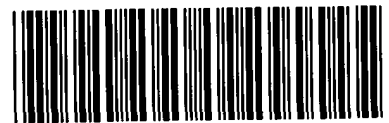


# Financial Statements SATRA

---

For the year ended 31 December 2016

SATURDAY



\*A6F32THV\*

A19

16/09/2017

#115

COMPANIES HOUSE

**Company No 00153475**

## Company Information

**Company registration number:** 00153475

**Registered office:** Wyndham Way  
KETTERING  
Northants  
NN16 8SD

**Directors as at 31 December 2016:**

*Non-Executive Directors:*  
Mr S Etheridge (Chairman)  
Mr T J Blades  
Mr R J Denton  
Mr P Lockett (appointed 21 June 2016)  
Mr A J Perillo  
Dr R E Whittaker  
*Executive Directors:*  
Mr A C Simmons (Chief Executive)  
Mr S D Botterill (Finance Director)  
Mr J G Hooker

**Bankers:** National Westminster Bank Plc  
16 High Street  
KETTERING  
Northants  
NN16 8SZ.

**Independent Auditor:** Grant Thornton UK LLP  
Chartered Accountants & Statutory Auditor  
Grant Thornton House  
202 Silbury Boulevard  
Milton Keynes  
MK9 1LW

## Contents

<b>Strategic Report</b>	<b>4 - 5</b>
<b>Directors' Report</b>	<b>6 - 7</b>
<b>Independent Auditor's report</b>	<b>8 - 9</b>
<b>Consolidated Income Statement</b>	<b>10</b>
<b>Consolidated Statement of Comprehensive Income</b>	<b>11</b>
<b>Consolidated Statement of Financial Position</b>	<b>12</b>
<b>Company Statement of Financial Position</b>	<b>13</b>
<b>Consolidated Statement of Cash Flows</b>	<b>14</b>
<b>Consolidated Statement of Changes in Equity</b>	<b>15</b>
<b>Company Statement of Changes in Equity</b>	<b>16</b>
<b>Notes to the Financial Statements</b>	<b>17 - 34</b>

# Strategic Report

## Principal activities

The Group is principally engaged in conducting research relating to the footwear, clothing, personal protective equipment, furniture, floor coverings and allied trades and providing technical services, management services and software developments to its members and clients. The Group also develops and sells test equipment.

## Financial Performance

The profit after taxation on the group's activities during the year was £273,000 after taxation (2015: £51,000).

The Directors are pleased with the Group's performance during 2016. Operating profit for the year was £459,000 (2015: £532,000). This reflects continued profitable trading and an increase in turnover compared to the previous year. Cash generation has also been healthy and the group has continued its commitment to capital expenditure on further improvements to equipment and facilities. The Directors consider SATRA to be in a strong position to generate future profitable growth.

## Strategy

The strategy during the year has been to build on the strong core of SATRA membership by continuing to attract new members on an international basis and to provide comprehensive research and technical services to clients in a wide range of consumer product industries. On-going capital investment in facilities and equipment together with staff development will underpin the planned growth in services.

## Research and Development

The Board believe that on-going investment in research and development is fundamental to the continued growth of the business and to the success of our members. Therefore, SATRA is committed to maintain expenditure on staff and equipment applied to research in order to continually develop the products and services available to our clients.

## Future Developments

As detailed in this report under Risks and Uncertainties, in response to the UK referendum decision to leave the European Union, a new SATRA subsidiary has been formed in the Republic of Ireland and it is expected that this company will commence trading during 2017.

## Key Performance Indicators

The Directors use a number of Key Performance Indicators (financial and non-financial) to monitor SATRA's performance on a regular basis through the year, including revenue, profitability and cash flow.

Key performance indicators:

	2016	2015
Total revenue	<b>£12,988,000</b>	£12,722,000
Total revenue growth %	2.1%	4.9%
Operating Profit	<b>£459,000</b>	£532,000
Capital Expenditure	<b>£569,000</b>	£1,857,000
Cash and Investments	<b>£4,328,000</b>	£3,657,000
Average number of employees	194	197

## Strategic Report (continued)

### Risks and uncertainties

The management of the business and the nature of SATRA's strategy are subject to a number of risks.

The Directors are of the opinion that these risks are under regular review as part of both formal and informal business management activities. Where appropriate, processes are in place to monitor and mitigate such risks. As part of this process the group's risk register is reviewed and updated on a regular basis. These risks include:

- United Kingdom exit from European Union  
Prior to the "Brexit" referendum the SATRA risk register recognised the risk of some income loss due to the United Kingdom leaving the EU. It also noted contingency plans. In accordance with those plans, the Company has established a subsidiary in the Republic of Ireland and it is expected that this will commence trading during 2017.
- Loss of key personnel (management and technical) including retirement of senior staff  
This is addressed through offering a competitive benefits package, a recruitment & training programme including graduate trainees, staff development activities and succession planning.
- Defined Benefit Pension Scheme deficit: risk of impact on business  
The defined benefit pension scheme is currently in deficit. The Board have established a Pensions Committee to manage this issue and it liaises closely with the scheme Trustees. Action has been taken to mitigate this risk including closing to new members and capping increases in pensionable pay. The company and the trustees have agreed a recovery plan to provide additional annual funding to the scheme and the position is regularly reviewed by the Trustees and Pensions Committee with the assistance of professional advisers.

Financial risk management is detailed in the notes to the accounts

This report was approved by the board on 21 March 2017 and signed on its behalf.



S Botterill  
Director

## **Directors' Report**

The Directors of SATRA and its subsidiary undertakings present their report together with consolidated financial statements for the year ended 31 December 2016.

### **Financial results and transfers to reserves**

The Directors recommend the transfer of the surplus for the year of £273,000 (2015: £51,000) to reserves.

### **Research**

Reports of the activities carried out including research are published regularly in the SATRA Bulletin.

### **Directors**

The Directors who served in the year were:

*Non-Executive Directors:*

Mr S Etheridge (Chairman)

Mr T J Blades

Mr R J Denton

Mr P Lockett

Mr A J Perillo

Dr R E Whittaker

*Executive Directors:*

Mr A C Simmons (Chief Executive)

Mr S D Botterill (Finance Director)

Mr J G Hooker

### **Directors' Insurance**

During the year indemnity insurance policies have been maintained for the benefit of all directors.

### **Directors' responsibilities for the financial statements**

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law); including FRS 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 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 estimates that are reasonable and prudent
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

## Directors' Report (continued)

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.

### Disclosure of information to auditor

The directors confirm that:

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

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

### Matters covered in the strategic report

As the Business review and Risks and uncertainties are reported in the Strategic Report, (in accordance with S.414C(11) of the Companies Act 2006), they are not shown in the Directors' Report.

### Auditor

The auditor, Grant Thornton UK LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 21 March 2017 and signed on its behalf.



S Botterill  
Director

## Independent auditor's report to the members of SATRA

We have audited the financial statements of SATRA for the year ended 31 December 2016 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of financial position, the company statement of financial position, the consolidated statement of cash flows, the consolidated statement of changes in equity, the company statement of changes in equity 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 FRS 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 set out on pages 6 to 7, 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](http://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 2016 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, based on the work undertaken in the course of the audit:

- the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with those financial statements; and
- the Strategic report and the Directors' report been prepared in accordance with applicable legal requirements.



## **Independent auditor's report to the members of SATRA (continued)**

### **Matters on which we are required to report under the Companies Act 2006**

In the light of our knowledge and understanding of the Group and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report and the Directors' report.

### **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.

*Grant Thornton UK LLP*

**Gareth Norris**

Senior Statutory Auditor

for and on behalf of Grant Thornton UK LLP

Statutory Auditor, Chartered Accountants

Milton Keynes

Date: *23 March 2017*

## Consolidated Income Statement

	Note	2016 £'000	2015 £'000
<b>Turnover</b>	5	12,988	12,722
Cost of sales		(2,442)	(2,324)
<b>Gross profit</b>		<u>10,546</u>	<u>10,398</u>
Administrative expenses		(10,087)	(9,866)
<b>Operating profit</b>		<u>459</u>	<u>532</u>
Gain on sale of fixed assets		6	-
Interest receivable and similar income		202	69
Interest payable and similar charges		(328)	(412)
<b>Profit on ordinary activities before taxation</b>	6	<u>339</u>	<u>189</u>
Tax on profit on ordinary activities	8	(66)	(138)
<b>Profit for the financial year</b>		<u>273</u>	<u>51</u>

The notes on pages 17 to 34 form part of these financial statements.

## Consolidated Statement of Comprehensive Income

	Note	2016 £'000	2015 £'000
<b>Profit for the financial year</b>		<b>273</b>	<b>51</b>
Actuarial gain/(loss) in respect of defined benefit pension scheme	22	(3,607)	983
Deferred tax attributable to actuarial gain/(loss)		387	(79)
Exchange difference on consolidation		48	-
<b>Total comprehensive income for the financial year</b>		<b>(2,899)</b>	<b>955</b>

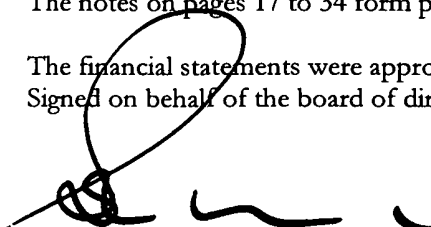
The notes on pages 17 to 34 form part of these financial statements

# Consolidated Statement of Financial Position

	Note	2016 £'000	2015 £'000
<b>Fixed assets</b>			
Intangible assets	9	192	195
Tangible assets	10	9,319	9,701
		<u>9,511</u>	<u>9,896</u>
<b>Current assets</b>			
Stocks	13	764	825
Debtors	14	3,475	3,112
Cash at bank and in hand		2,235	1,569
Investments	11	<u>2,093</u>	<u>2,088</u>
		8,567	7,594
<b>Creditors: amounts falling due within one year</b>	15	<u>(4,175)</u>	<u>(4,341)</u>
<b>Net current assets</b>		<u>4,392</u>	<u>3,523</u>
<b>Total assets less current liabilities</b>		13,903	13,149
<b>Deferred Taxation</b>	16	<u>-</u>	<u>(60)</u>
<b>Net assets excluding pension liability</b>		13,903	13,089
<b>Pension Liability</b>	22	<u>(12,061)</u>	<u>(8,348)</u>
<b>Net assets including pension liability</b>		<u>1,842</u>	<u>4,741</u>
<b>Capital and reserves</b>			
Profit and loss account	18	<u>1,842</u>	<u>4,741</u>
		<u>1,842</u>	<u>4,741</u>

The notes on pages 17 to 34 form part of these financial statements

The financial statements were approved by the Board of Directors on 21 March 2017.  
Signed on behalf of the board of directors:



Stephen Etheridge  
Chairman

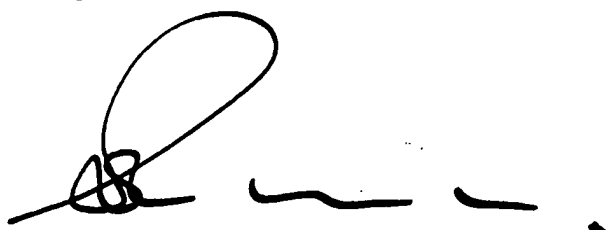
Company registration no: 00153475

# Company Statement of Financial Position

	Note	2016 £'000	2015 £'000
<b>Fixed assets</b>			
Investments	12	<u>7,000</u>	<u>7,000</u>
		<b>7,000</b>	<b>7,000</b>
<b>Current assets</b>			
Debtors	14	<b>2,455</b>	2,480
Cash at bank and in hand		<b>461</b>	197
Investments	11	<u><b>2,093</b></u>	<u>2,088</u>
		<b>5,009</b>	<b>4,765</b>
<b>Creditors: amounts falling due within one year</b>	15	<u><b>(10)</b></u>	<u><b>(16)</b></u>
<b>Net current assets</b>		<u><b>4,999</b></u>	<u><b>4,749</b></u>
<b>Total assets less current liabilities</b>		<b>11,999</b>	<b>11,749</b>
<b>Pension Liability</b>	22	<u><b>(8,581)</b></u>	<u><b>(7,188)</b></u>
<b>Net assets</b>		<u><u><b>3,418</b></u></u>	<u><u><b>4,561</b></u></u>
<b>Capital and reserves</b>			
Profit and loss account	18	<u><b>3,418</b></u>	<u><b>4,561</b></u>
		<u><u><b>3,418</b></u></u>	<u><u><b>4,561</b></u></u>

The notes on pages 17 to 34 form part of these financial statements

The financial statements were approved by the Board of Directors on 21 March 2017.  
Signed on behalf of the board of directors:



Stephen Etheridge  
Chairman

Company registration no: 00153475

## Consolidated Statement of Cash Flows

	2016 £'000	2015 £'000
<b>Cash flows from operating activities</b>		
Profit for the financial year	273	51
Adjustments for:		
Foreign exchange translation difference	48	-
Depreciation of fixed assets	934	912
Amortisation of intangible assets	37	24
FRS 102 adjustment in respect of pension costs	106	299
Profit on sale of investments	(60)	(5)
Profit on sale of fixed assets	(6)	-
(Gain)/loss on revaluation of investments	(72)	(18)
Taxation	66	138
Interest receivable	(70)	(69)
Decrease/(increase) in trade and other debtors	6	(479)
Decrease/(increase) in stocks	61	(91)
(Decrease)/increase in trade creditors	(234)	361
Cash from operations	1,089	1,123
Tax paid	(40)	(58)
<b>Net cash generated from operating activities</b>	<b>1,049</b>	<b>1,065</b>
<b>Cash flows from investing activities</b>		
Proceeds from sale of investments	425	162
Purchase of investments	(298)	(61)
Interests received	70	69
Proceeds from sale of tangible fixed assets	6	-
Purchase of intangible fixed assets	(34)	(172)
Purchases of tangible fixed assets	(552)	(1,685)
<b>Net cash from investing activities</b>	<b>(383)</b>	<b>(1,687)</b>
<b>Cash flows from financing activities</b>		
Interest paid	-	-
<b>Net cash inflow from financing activities</b>	<b>-</b>	<b>-</b>
<b>Net increase in cash and cash equivalents</b>	<b>666</b>	<b>(622)</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>1,569</b>	<b>2,191</b>
<b>Cash and cash equivalents at end of year</b>	<b>2,235</b>	<b>1,569</b>
<b>Cash and cash equivalents comprises:</b>		
Cash at bank	2,235	1,569
	<u>2,235</u>	<u>1,569</u>

The notes on pages 17 to 34 form part of these financial statements

## Consolidated Statement of Changes in Equity

	<b>Profit and loss account</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>
<b>At 1 January 2015</b>	3,786	3,786
Profit for the year	51	51
Other comprehensive income	904	904
	<hr/>	<hr/>
<b>At 31 December 2015</b>	4,741	4,741
Profit for the year	273	312
Other comprehensive income	(3,220)	(3,607)
Foreign exchange translation difference	48	48
	<hr/>	<hr/>
<b>At 31 December 2016</b>	<b>1,842</b>	<b>1,494</b>

The notes on pages 17 to 34 form part of these financial statements

**Company Statement of Changes in Equity**

	<b>Profit and loss account</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>
<b>At 1 January 2015</b>	4,223	4,223
Profit for the year	(210)	(210)
Other comprehensive income	<u>548</u>	<u>548</u>
<b>At 31 December 2015</b>	4,561	4,561
Profit for the year	185	185
Other comprehensive income	<u>(1,328)</u>	<u>(1,328)</u>
<b>At 31 December 2016</b>	<u><b>3,418</b></u>	<u><b>3,418</b></u>

The notes on pages 17 to 34 form part of these financial statements



# Notes to the Financial Statements

## 1 Company information

SATRA is a private company limited by guarantee and is incorporated in England. The address of its registered office is Wyndham Way, Telford Way, Kettering, Northamptonshire.

## 2 Basis of preparation

These financial statements have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 – 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' (FRS 102), and with the Companies Act 2006. The financial statements have been prepared on the historical cost basis except for the revaluation of investment property and modification to a fair value basis for certain financial instruments as specified in the accounting policies below.

The financial statements are presented in Sterling (£).

The group financial statements consolidate the financial statements of SATRA and all its subsidiary undertakings.

The parent company has taken advantage of section 408 of the Companies Act 2006 and has not included its own Profit and Loss Account in these financial statements. The parent company's profit for the year was £184,000 (2015: loss of £210,000).

As permitted by FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" the company has not included a cash flow statement in accordance with the requirements of Section 7, Statement of Cash Flows. This information is included in the consolidated financial statements of SATRA as at 31 December 2016.

### Going concern

After reviewing the group's forecasts and projections, the directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. The group therefore continues to adopt the going concern basis in preparing its consolidated financial statements.

## 3 Significant judgements and estimates

Preparation of the financial statements requires management to make significant judgements and estimates. The items in the financial statements where these judgments and estimates have been made include:

### Defined Benefit Pension Scheme

The measurement of obligations under defined benefit pension arrangements is subject to a number of assumptions, details of which are given in note 22 of these financial statements. These assumptions are determined with the benefit of appropriate professional advice.

### Deferred tax

The group is subject to UK corporation tax and judgement is required in determining the provision for deferred taxation. The group recognises taxation assets and liabilities based upon estimates and assessments of many factors including judgements about the outcome of future events. Deferred tax assets are only recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or future taxable profits. Details of the deferred tax provision are shown in note 16 to these financial statements.

## Notes to the Financial Statements

### Valuation of Investment Property

The valuation of investment property relies upon an understanding of current market conditions. The services of a professional surveyor were retained to value the property as at 31 December 2014 and this valuation has been maintained as at 31 December 2016 as the market conditions are not considered to have changed significantly.

## 4 Principal accounting policies

### 4.1 Investment in subsidiaries

The consolidated financial statements incorporate the financial statements of the company and entities (including special purpose entities) controlled by the group (its subsidiaries). Control is achieved where the group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in total comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate using accounting policies consistent with those of the parent. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Investments in subsidiaries are accounted for at cost less impairment in the individual financial statements.

### 4.2 Intangible assets

Intangible assets are measured at cost less accumulated amortisation and any accumulated impairment losses.

Purchased software is recognised as an intangible asset.  
Software development costs are not recognised as an asset.

Amortisation is charged so as to allocate the cost of intangibles less their residual values over their estimated useful lives, using the straight-line method. The intangible assets are amortised over the following useful economic lives:

- |            |          |
|------------|----------|
| - Software | 5 years  |
| - Goodwill | 10 years |

If there is an indication that there has been a significant change in amortisation rate or residual value of an asset, the amortisation of that asset is revised prospectively to reflect the new expectations.

If the net fair value of the identifiable assets and liabilities acquired exceeds the cost of a business combination, the excess up to the fair value of non-monetary assets acquired is recognised in profit or loss in the periods in which the non-monetary assets are recovered. Any excess exceeding the fair value of non-monetary assets acquired is recognised in profit or loss in the periods expected to be benefited

### 4.3 Tangible assets

Tangible fixed assets are measured at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated to write down the cost less estimated residual value of all tangible fixed assets, other than freehold land, over their expected useful lives, using the straight-line method. The rates applicable are:

- |   |          |
|---|----------|
| - Freehold buildings                              | 50 years |
| - Office and canteen furniture                    | 10 years |
| - Refurbishments, laboratory and office equipment | 5 years  |

## Notes to the Financial Statements

- |                      |         |
|----------------------|---------|
| - Motor Vehicle      | 4 years |
| - Computer Equipment | 3 years |

### 4.4 Investment Property

Investment properties are properties held to earn rentals or for capital appreciation or both, and are accounted for using the fair value model.

Investment properties are assessed annually to determine if the amount is held at fair value with resulting gains and losses recognised in profit or loss and are included in the statement of financial position at their fair values.

### 4.5 Impairment of assets

At each reporting date fixed assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset is estimated and compared with its carrying amount. If estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in profit or loss.

If an impairment loss subsequently reverses, the carry amount of the asset is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

### 4.6 Current asset investments

Current asset investments comprise investments in quoted financial instruments which are measured at fair value. Changes in fair value are recognised in profit or loss.

### 4.7 Stocks

Stock are stated at the lower of cost, using the first in first out method, and selling price less costs to complete and sell.

### 4.8 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.

### 4.9 Creditors

Short term trade creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

### 4.10 Provisions for liabilities

Provisions are recognised when the group has a present obligation (legal or constructive) as a result of a past event, it is probable that the group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value using a pre-tax discount rate. The unwinding of the discount is recognised as a finance cost in profit or loss in the period it arises.

## Notes to the Financial Statements

The group recognises a provision for annual leave accrued by employees as a result of services rendered in the current period, and which employees are entitled to carry forward and use within the next 12 months. The provision is measured at the salary cost payable for the period of absence.

### 4.11 Taxation

Current tax is recognised for the amount of income tax payable in respect of the taxable profit for the current or past reporting periods using the tax rates and laws that have been enacted or substantively enacted by the reporting date.

Deferred tax is recognised in respect of all timing differences at the reporting date, except as otherwise indicated.

Deferred tax assets are only recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

If and when all conditions for retaining tax allowances for the cost of a fixed asset have been met, the deferred tax is reversed.

Deferred tax is recognised when income or expenses from a subsidiary or associate have been recognised, and will be assessed for tax in a future period, except where:

- the group is able to control the reversal of the timing difference; and  
it is probable that the timing difference will not reverse in the foreseeable future.

A deferred tax liability or asset is recognised for the additional tax that will be paid or avoided in respect of assets and liabilities that are recognised in a business combination. The amount attributed to goodwill is adjusted by the amount of deferred tax recognised.

Deferred tax is calculated using the tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

With the exception of changes arising on the initial recognition of a business combination, the tax expense (income) is presented either in profit or loss, other comprehensive income or equity depending on the transaction that resulted in the tax expense (income).

Deferred tax liabilities are presented within provisions for liabilities and deferred tax assets within debtors. Deferred tax assets and deferred tax liabilities are offset only if:

- the group has a legally enforceable right to set off current tax assets against current tax liabilities, and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously.

### 4.12 Turnover

Turnover is measured at the fair value of the consideration received or receivable, net of discounts and value added taxes. Turnover includes revenue earned from the sale of goods and from the rendering of services.

#### Sale of goods

Turnover from the sale of goods is recognised when the significant risks and rewards of ownership of the goods has transferred to the buyer. This is usually at the point that the goods have been dispatched or collected by the customer.

## Notes to the Financial Statements

### Rendering of services

Turnover from the rendering of services is normally recognised when the work is complete but for material contracts turnover will be recognised in relation to the proportion of the service delivered as at the period end.

### 4.13 Employee benefits

Short-term employee benefits and contributions to defined contribution plans are recognised as an expense in the period in which they are incurred.

### 4.14 Foreign currency translation

#### Functional currency and presentation currency

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position are presented in Sterling (£).

#### Transactions and balances

In preparing the financial statements of the individual entities, transactions in currencies other than the functional currency of the individual entities (foreign currencies) are recognised at the spot rate at the dates of the transactions, or at an average rate where this rate approximates the actual rate at the date of the transaction. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise. However, in the consolidated financial statements exchange differences arising on monetary items that form part of the net investment in a foreign operation are recognised in other comprehensive income and are not reclassified to profit or loss.

#### Translation of group companies

For the purpose of presenting consolidated financial statements, the assets and liabilities of the group's foreign operations are translated from their functional currency to Sterling (£) using the closing exchange rate. Income and expenses are translated using the average rate for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising on the translation of group companies are recognised in other comprehensive income and are not reclassified to profit or loss.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

# Notes to the Financial Statements

## 5 Turnover

Turnover, analysed geographically between markets, was as follows:

	2016 £'000	2015 £'000
UK	3,339	3,668
Europe	2,067	2,076
Rest of World	7,582	6,978
	<u>12,988</u>	<u>12,722</u>

## 6 Profit on ordinary activities before taxation

The profit on ordinary activities before taxation is stated after:

	2016 £'000	2015 £'000
Auditor's remuneration:		
Fees payable to the company's auditor for the audit of the company's annual accounts	5	5
Fees payable to the company's auditor and its associates for other services:		
Audit of the accounts of subsidiaries	25	26
Other services	64	89
Foreign exchange (gains)	(94)	(75)
Depreciation	934	912
Amortisation of intangibles	37	24
Changes in fair value of investments	132	(77)
Research and development expense	1,166	784

## Notes to the Financial Statements

### 7 Directors and employees

Staff costs during the year were as follows:

	2016 £'000	2015 £'000
Wages and salaries	5,391	5,249
Social security costs	476	428
Other pension costs	384	355
	<u>6,251</u>	<u>6,032</u>

The average number of employees of the group during the year was:

	2016 Number	2015 Number
Operational	138	136
Administration and Support	56	61
	<u>194</u>	<u>197</u>

Remuneration in respect of directors was as follows:

	2016 £'000	2015 £'000
Emoluments	386	323
Pension contributions	31	25
	<u>417</u>	<u>348</u>

During the year 1 director (2015: 1) participated in a defined benefit pension scheme and 3 directors in a defined contribution pension scheme (2015: 2)

The amounts set out above include remuneration in respect of the highest paid director as follows:

	2016 £'000	2015 £'000
Emoluments	139	142
Pension contributions	15	13
	<u>154</u>	<u>155</u>

The only key management personnel are the Directors, whose remuneration is disclosed above.

The highest paid Director's accrued defined benefit pension at the year-end was £28,826 (2015 - £28,465)

## Notes to the Financial Statements

### 8 Taxation

The tax charge is based on the profit for the year and represents:

	2016 £'000	2015 £'000
UK Corporation Tax	105	99
Adjustments in respect of previous periods	-	(2)
R&D expenditure credit	-	-
Double tax relief	(11)	(6)
Overseas taxation	14	7
Total current tax	108	98
Deferred taxation: origination and reversal of timing differences	(39)	33
Adjustment in respect of prior period	-	1
Change in rates	(3)	6
Tax on results on ordinary activities	66	138

The tax assessed for the year is lower than the standard rate of corporation tax in the United Kingdom at 20% (2015: 20.25%). The differences are explained as follows:

Profit on ordinary activities before tax	339	189
Profit on ordinary activities multiplied by standard rate of corporation tax in the United Kingdom of 20% (2015: 20.25%)	68	38
Expenses not deductible for tax purposes	(9)	98
Adjustments in respect of prior periods	(2)	(1)
Foreign Tax credits	3	1
Effect of tax rate change	6	2
	66	138

During the year the UK corporation tax rate was maintained at 20%. Following the Budget 2015 announcements there will be a further reduction in the main rate of corporation tax to 19% from 1 April 2017.

As at 31 December 2016 legislation has been enacted which will further reduce the main rate of corporation tax to 17% from 1 April 2020. This reduction has been reflected in the calculation of the group's deferred tax assets and liabilities.

SATRA has an exemption from Corporation Tax under the provisions of Section 469 of the Corporation Tax Act 2010. The return required under Section 469 self-assessment procedure has been submitted for the year to 31 December 2015 and a return will be submitted for the year to 31 December 2016.



## Notes to the Financial Statements

### 9 Intangible fixed assets

#### The group

	Goodwill £'000	Software £'000	Total £'000
Cost			
As at 1 January 2016	172	352	524
Additions		34	34
<b>At 31 December 2016</b>	<b>172</b>	<b>386</b>	<b>558</b>
Depreciation and impairment			
At 1 January 2016	172	157	329
Charge for the year		37	37
<b>At 31 December 2016</b>	<b>172</b>	<b>194</b>	<b>366</b>
<b>Net book amount at 31 December 2016</b>	<b>-</b>	<b>192</b>	<b>192</b>
Net book amount at 31 December 2015	-	195	195

Amortisation of intangible fixed assets is included in administrative expenses.

# Notes to the Financial Statements

## 10 Tangible fixed assets

### The group

	Invest- ment Property £'000	Freehold Land and Buildings £'000	Equipment £'000	Furniture £'000	Motor Vehicles £'000	Total £'000
Cost						
At 1 January 2016	1,450	7,779	7,122	254	289	16,894
Additions	-	-	502	4	29	535
Disposals	-	-	(710)	(37)	(25)	(772)
Exchange adjustments	-	-	44	2	2	48
<b>At 31 December 2016</b>	<b>1,450</b>	<b>7,779</b>	<b>6,958</b>	<b>223</b>	<b>295</b>	<b>16,705</b>
Depreciation						
At 1 January 2016	-	1,479	5,353	168	193	7,193
Provided in the year	-	139	738	17	40	934
Disposals	-	-	(710)	(37)	(25)	(772)
Exchange adjustments	-	-	30	1	-	31
<b>At 31 December 2016</b>	<b>-</b>	<b>1,618</b>	<b>5,411</b>	<b>149</b>	<b>208</b>	<b>7,386</b>
<b>Net book amount at 31 December 2016</b>	<b>1,450</b>	<b>6,161</b>	<b>1,547</b>	<b>74</b>	<b>87</b>	<b>9,319</b>
Net book amount at 31 December 2015	1,450	6,300	1,769	86	96	9,701

The company has no tangible fixed assets.

The gross amount of buildings which have been subject to depreciation is £6,936,376 (2015 - £6,936,376)

The investment property was revalued by Berrys, a qualified chartered surveyor, as at 31 December 2014. The directors have reviewed the market in the interim period and do not believe there has been any material change in the value as at 31 December 2016 and therefore no external professional valuation has been undertaken at this date. The fair value of the property has been determined using the open market value of the property and the findings of this external valuation have been reflected in the financial statements.

# Notes to the Financial Statements

## 11 Current Asset Investments

Total current asset investments comprise:

	The group		The company	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Treasury Stock / Investment & Unit Trusts	2,093	2,088	2,093	2,088
	<u>2,093</u>	<u>2,088</u>	<u>2,093</u>	<u>2,088</u>

## 12 Fixed Asset Investments

Total fixed asset investments comprise:

	The group		The company	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Interest in subsidiaries	-	-	5,000	5,000
Other fixed asset investments	-	-	2,000	2,000
	<u>-</u>	<u>-</u>	<u>7,000</u>	<u>7,000</u>

## Interests in Subsidiaries

At 31 December 2016 the group and the company had interests in the following subsidiaries:

Subsidiaries	Type of shares held	Proportion held (%)	Country of incorporation	Nature of Business
SATRA Quality Assurance Limited	Ordinary	100%	United Kingdom	Dormant
SATRA Technology Centre Limited	Ordinary	100%	United Kingdom	Provision of technical services
SATRA Hong Kong Limited	Ordinary	100%	Hong Kong	Dormant
SATRA Technology Services (Dongguan) Ltd	Ordinary	100%	China	Provision of technical services
SATRA Services Limited	Ordinary	100%	United Kingdom	Dormant
Hampden Test Equipment Limited	Ordinary	97%	United Kingdom	Dormant
SATRA Technology Europe Limited	Ordinary	100%	Republic of Ireland	Provision of technical services

# Notes to the Financial Statements

## 12 Investments (continued)

### The Company

	Loans to group undertakings	Shares in group undertakings	Total
	£'000	£'000	£'000
Cost			
At 1 January 2016	2,000	5,000	7,000
Additions in the year			
<b>At 31 December 2016</b>	<b>2,000</b>	<b>5,000</b>	<b>7,000</b>
Accumulated impairment			
At 1 January 2016	-	-	-
Impairment loss	-	-	-
<b>At 31 December 2016</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net book amount at 31 December 2016</b>	<b>2,000</b>	<b>5,000</b>	<b>7,000</b>
Net book amount at 31 December 2015	2,000	5,000	7,000

## 13 Stock

Stock purchases recognised in cost of sales during the year as an expense were £1,270,000 (2015 £1,229,000). There is no material difference between the year end value of stock and their replacement costs.

	The group		The company	
	2016	2015	2016	2015
	£'000	£'000	£'000	£'000
Stock and Work in Progress:				
Raw materials	298	381	-	-
Work in progress	289	232	-	-
Finished goods	177	212	-	-
	<b>764</b>	<b>825</b>	<b>-</b>	<b>-</b>

# Notes to the Financial Statements

## 14 Debtors

	The group		The company	
	2016	2015	2016	2015
	£'000	£'000	£'000	£'000
Trade debtors	2,734	2,802	3	-
Amounts owed by group undertakings	-	-	2,452	2,480
Prepayments and accrued income	372	310	-	-
Deferred tax	369	-	-	-
	<u>3,475</u>	<u>3,112</u>	<u>2,455</u>	<u>2,480</u>

### The Company

Included within amounts owed by group undertakings is £2,452,000 falling due after more than one year (2015 - £2,480,000).

## 15 Creditors: amounts falling due within one year

	The group		The company	
	2016	2015	2016	2015
	£'000	£'000	£'000	£'000
Trade creditors	630	666	-	-
Corporation tax	71	42	-	-
Social Security and other taxes	188	188	-	-
Accruals and deferred income	3,286	3,445	10	16
	<u>4,175</u>	<u>4,341</u>	<u>10</u>	<u>16</u>

## 16 Deferred taxation

Deferred taxation provided for in the financial statements is set out below:

	The group		The company	
	2016	2015	2016	2015
	£'000	£'000	£'000	£'000
At the beginning of the year	60	(58)	-	-
Charge / (credit) for the year	(429)	118	-	-
	<u>(369)</u>	<u>60</u>	<u>-</u>	<u>-</u>

The provision for deferred tax is made up as follows:

	The group		The company	
	2016	2015	2016	2015
	£'000	£'000	£'000	£'000
Accelerated capital-allowance	231	277	-	-
Short term timing differences	(600)	(217)	-	-
	<u>(369)</u>	<u>60</u>	<u>-</u>	<u>-</u>

## Notes to the Financial Statements

### 17 Financial instruments

	Group 2016 £'000	Group 2015 £'000	Company 2016 £'000	Company 2015 £'000
Financial assets held at amortised cost	5,026	4,385	2,916	2,677
Financial liabilities held at amortised cost	1,141	1,353	10	16

The group financial assets measured at amortised cost comprise cash, trade debtors and other assets readily convertible into cash.

The group financial liabilities measured at amortised cost comprise trade creditors, borrowings and other liabilities which are likely to require settlement in monetary terms.

The company financial assets measured at amortised cost comprise cash, trade debtors, intercompany debtors and other assets readily convertible into cash.

The company financial liabilities measured at amortised cost comprise trade creditors, intercompany creditors, borrowings and other liabilities which are likely to require settlement in monetary terms.

The group accounts for all financial assets and liabilities as basic financial instruments in accordance with FRS 102 and has no financial instruments carried at fair value through profit and loss.

### 18 Contingent liabilities

The Company had no contingent liabilities as at 31 December 2016 or 31 December 2015.

### 19 Reserves

Movements on reserves are shown in the statements of changes in equity. Other comprehensive income: comprises the actuarial gains and losses in respect of defined benefit scheme and related deferred tax.

Foreign exchange translation difference: comprises differences arising from the translation of financial statements of the Group's foreign entities into Sterling (£).

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

### 20 Capital commitments

There were no capital commitments as at 31 December 2016 or 31 December 2015.

### 21 Financial risk management

SATRA uses financial instruments including cash, gilts and equity investments and various items such as trade debtors and trade creditors that arise directly from its operations. The existence of these financial instruments exposes SATRA to a number of financial risks which are described in more detail below. The main risks arising from SATRA's financial instruments are currency risk, interest rate risk, credit risk and liquidity risk.

#### Foreign exchange transactional currency exposure

A high proportion of SATRA's income is from clients outside the UK. However overseas income is mainly priced, invoiced and paid in sterling. Thus, the currency exposure risk is limited.

## Notes to the Financial Statements

### **Liquidity risk**

SATRA seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably.

SATRA's liquidity is managed by balancing short-term cash requirements with long-term investment returns, using instant access deposit accounts to provide the necessary flexibility.

The level of operating cash flow generated plus the cash and liquid investments held ensure that the group is in a position to meet its commitments and obligations as they come due

### **Customer credit exposure**

The group may offer credit terms to its customers which allow payment of the debt after delivery of the goods or services. The group is at risk to the extent that a customer may be unable to pay the debt on the specified due date. This risk is managed by setting credit limits for customers based on a combination of payment history and third party credit references. Credit limits are reviewed in conjunction with debt ageing and collection history.

### **Investments credit risk**

SATRA holds investments in government securities, investment funds and cash deposits. The credit risk associated with the government securities and cash are limited as the parties have high credit ratings. Risk relating to investments in funds and securities is managed by retaining professional investment managers.

The directors review SATRA's investment strategy on a regular basis.

### **Interest rate risk**

SATRA finances its operations entirely through retained profits, a small proportion of which derives from interest received from cash deposits. Interest rate risk is therefore limited to reduced income when rates are low, and is therefore not considered significant.

## **22 Pension commitments**

### **Defined contribution pension scheme**

The Group operates a defined contribution scheme for certain of its Directors and employees. The assets of the scheme are held separately from those of the Group in independently administered funds.

Contributions are charged to the Income Statement as they become payable in accordance with the rules of the scheme.

The pension charge for the year of £265,000 (2015: £186,000) represents the amounts payable by the company to the fund in respect of the year. Amounts due to the pension fund at the year end were £36,000 (2015: £24,000).

### **Defined benefit pension scheme**

The Group operates a funded defined benefit pension scheme (SATRA (1972) Pension Scheme) for the benefit of the certain employees and directors eligible to be members. The assets of the scheme are administered by trustees in a fund independent from those of the Group. The scheme was closed to new members with effect from 1 October 2001.

## Notes to the Financial Statements

Costs and liabilities of the scheme are based on actuarial valuations. The latest full actuarial valuation was carried out at 1 April 2013 and showed that the Scheme's assets were sufficient to cover 70% of the benefits that had accrued to members, corresponding to a shortfall of £7,319,000. The valuation has been updated to 31 December 2016 by a qualified independent actuary using revised assumptions that are consistent with the requirements of FRS 102.

Whilst each employer company has included within its own financial statements its share of the deficit based on the actuary's calculations, as a multi-employer scheme each company is liable up to the maximum scheme liability as disclosed below:

The amounts recognised in the consolidated income statement are as follows:

	2016 £'000	2015 £'000
Current service cost	119	227
Net interest cost	328	335
	<hr/>	<hr/>
Total amount recognised in the consolidated income statement	447	562

The amounts recognised in other comprehensive income are as follows:

	2016 £'000	2015 £'000
Return on plan assets (excluding amounts included in net interest cost): gain/(loss)	2,499	(328)
Effects of changes in the demographic and financial assumptions underlying the present value of the plan liabilities: (loss)/gain	(6,106)	1,311
	<hr/>	<hr/>
Total amount recognised in other comprehensive income: (loss)/gain	(3,607)	983

The amounts recognised in statement of financial position are as follows:

	2016 £'000	2015 £'000
Present value of funded obligations	33,152	27,273
Fair value of scheme assets	21,091	18,925
	<hr/>	<hr/>
Shortfall in funded scheme	(12,061)	(8,348)



# Notes to the Financial Statements

Changes in the present value of the pension fund defined benefit obligation were as follows:

	2016	2015
	£'000	£'000
Opening defined benefit obligation	27,273	28,267
Current service cost	119	227
Interest cost	1,059	1,033
Employee's contributions	39	59
Actuarial (gains)/losses	6,106	(1,311)
Benefits paid	(1,444)	(1,002)
Closing defined benefit obligation	<u>33,152</u>	<u>27,273</u>

Changes in the fair value of scheme assets were as follows:

	2016	2015
	£'000	£'000
Fair value of plan assets at start of the year	18,925	19,236
Interest income on scheme assets	731	698
Actuarial (losses)/gains	2,499	(328)
Employers' contributions	341	262
Employees' contributions	39	59
Benefits paid	(1,444)	(1,002)
Fair value of plan assets at end of year	<u>21,091</u>	<u>18,925</u>

# Notes to the Financial Statements

Principal actuarial assumptions at the Statement of financial position date:

	2016	2015
Discount rate at 31 December	2.9%	4.0%
Rate of increase in pensionable salaries	1.0%	1.0%
Rate of increase of pensions in deferment	2.2%	1.9%
Rate of increase in pensions in payment	3.0%-3.1%	2.8%-3.0%
Inflation assumption RPI	3.3%	3.0%
Inflation assumptions CPI	2.2%	1.9%
Mortality projection basis	CMI 2015 (core) projection basis with 1% pa long term rate of improvement	CMI 2015 (core) projection basis with 1% pa long term rate of improvement
Life Expectancies:		
Male currently aged 65	87.7	87.7
Female currently aged 65	89.7	89.7
Male currently aged 45	89.1	89.0
Female currently aged 45	91.3	91.2

The major categories of plan assets, as a percentage of the total scheme assets are as follows:

	2016	2015
Equities	42%	41%
Multi-asset funds	40%	39%
Corporate bonds	18%	20%