

Abbreviated Accounts Burrows & Smith Limited

For the year ended 31 October 2015

Registered number: 00366790

Abbreviated Accounts

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Burrows & Smith Limited

Company Information

Director C R F Shield

Company secretary C R F Shield

Registered number 00366790

Registered office 365 Fosse Way
Syston
Leicester
LE7 1NL

Independent auditor Grant Thornton UK LLP
Chartered Accountants & Statutory Auditor
Regent House
80 Regent Road
Leicester
LE1 7NH

Bankers National Westminster Bank PLC
1 Granby Street
Leicester
LE1 9GT

Contents

| | Page |
|--|--------|
| Strategic report | 1 |
| Director's report | 2 - 3 |
| Independent auditor's report | 4 |
| Profit and loss account | 5 |
| Balance sheet | 6 |
| Notes to the abbreviated accounts | 7 - 14 |

Strategic Report

For the year ended 31 October 2015

Introduction

The principal activity of the company in the year under review was production machining of ferrous castings.

Business review

The business has experienced some very challenging trading through the period due to reduced customer demand from the global slowdown in capital equipment. Although there has been some recovery since the year end the company believes that volumes will remain weak at least for the medium term. The management's long term plan to consolidate the manufacturing facilities is coming to fruition and it is expected that this will significantly reduce its cost base and maximise efficiency bringing the business back into profit. As a result of this strategy the directors look forward to the future with some confidence when combined with the development of a wider and more diverse customer base. The business will incur significant costs as a result of this consolidation programme but these have been sensibly budgeted for the future.

Principal risks and uncertainties

The key risks and uncertainties affecting the company are considered to relate to competition from overseas suppliers, global demand for our customer products and raw material costs. The company is well positioned with a capable supply chain, strong workforce and management team to meet these challenges allowing continued investment into the future.

Financial key performance indicators

The company's key performance indicators are as follows:

Sales

The accounts report a 22% decrease (2014 - 11% increase) in the level of sales over the previous financial year.

Gross margin

Gross margins for the year have remained stable at 15%.

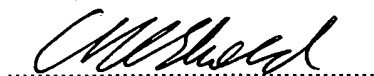
Debtor days

Debtor days have decreased to 21 days from 36 days in 2014.

Other key performance indicators

There are no significant non-financial key performance indicators which are relevant to understanding the position of the business.

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



C R F Shield
Director

Date: 15 June 2016

Director's Report

For the year ended 31 October 2015

The director presents his report and the audited financial statements for the year ended 31 October 2015.

Results and dividends

The loss for the year, after taxation, amounted to £697,718 (2014 - loss £7,259,472).

The loss for the year ended 2015, after taxation, included a charge of £286,362 relating to an intercompany loan provision.

The directors do not recommend payment of an ordinary dividend.

Director

The director who served during the year was:

C R F Shield

Financial instruments

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

Credit risk

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

Liquidity risk

The company seeks to manage liquidity risk by ensuring sufficient liquidity is available to meet foreseeable needs and by investing cash assets safely and profitably. Primarily this is achieved through inter company loans and bank borrowings.

Future developments

The external commercial environment is expected to remain competitive in 2016 with continued pressure on margins. As reported in the business review the company has plans to move to a new site, improve production efficiencies and reduce its cost base. There are no other significant events since the end of the financial year to report on.

Research and development activities

The company has invested in research and development activities which is considered integral to the success of the business.

Director's Report

For the year ended 31 October 2015

Director's responsibilities statement

The director is responsible for preparing the Strategic report, the Director's report and the financial statements in accordance with applicable law and regulations.

Company law requires the director to prepare financial statements for each financial year. Under that law the director has elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the director must not approve the financial statements unless he is 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 director is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The director is 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 him to ensure that the financial statements comply with the Companies Act 2006. He is 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 director at the time when this Director's report is approved has confirmed that:

- so far as he is aware, there is no relevant audit information of which the company's auditor is unaware, and
- he 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's auditor is aware of that information.

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 and signed on its behalf.



C R F Shield
Director

Date: 15 June 2016



Independent Auditor's Report to Burrows & Smith Limited

Under section 449 of the Companies Act 2006

We have examined the abbreviated accounts, which comprise the abbreviated Profit and loss account, the Balance sheet and the related notes, together with the financial statements of Burrows & Smith Limited for the year ended 31 October 2015 prepared under section 396 of the Companies Act 2006.

This report is made solely to the company in accordance with section 449 of the Companies Act 2006. Our work has been undertaken so that we might state to the company those matters we are required to state to it in a special 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, for our work, for this report, or for the opinions we have formed.

Respective responsibilities of director and auditor

The director is responsible for preparing the abbreviated accounts in accordance with section 445 of the Companies Act 2006. It is our responsibility to form an independent opinion as to whether the company is entitled to deliver abbreviated accounts to the Registrar of Companies and whether the abbreviated accounts have been properly prepared in accordance with the regulations made under that section and to report our opinion to you.

We conducted our work in accordance with Bulletin 2008/4 issued by the Auditing Practices Board. In accordance with that Bulletin we have carried out the procedures we consider necessary to confirm, by reference to the financial statements, that the company is entitled to deliver abbreviated accounts and that the abbreviated accounts are properly prepared.

Opinion on financial statements

In our opinion the company is entitled to deliver abbreviated accounts prepared in accordance with section 445(3) of the Companies Act 2006, and the abbreviated accounts which comprise the abbreviated Profit and loss account, the Balance sheet and the related notes have been properly prepared in accordance with the regulations made under that section.

Grant Thornton UK LLP

K G Bathia (Senior statutory auditor)
for and on behalf of
Grant Thornton UK LLP
Statutory Auditor
Chartered Accountants
Leicester

15 June 2016

Abbreviated Profit and Loss Account

For the year ended 31 October 2015

| | Note | 2015 £ | 2014 £ |
|--|------|-------------------|-------------|
| Turnover | 1 | 11,639,560 | 14,845,763 |
| Gross profit | | 1,756,665 | 2,189,680 |
| Administrative expenses | | (2,183,968) | (2,261,340) |
| Exceptional administrative expenses | | (286,362) | (7,220,000) |
| Total administrative expenses | | (2,470,330) | (9,481,340) |
| Operating loss | 2 | (713,665) | (7,291,660) |
| Interest receivable and similar income | | 250 | 758 |
| Loss on ordinary activities before taxation | | (713,415) | (7,290,902) |
| Tax on loss on ordinary activities | 5 | 15,697 | 31,430 |
| Loss for the financial year | 12 | (697,718) | (7,259,472) |

All amounts relate to continuing operations.

There were no recognised gains and losses for 2015 or 2014 other than those included in the Profit and loss account.

There are no material differences between the loss on ordinary activities before taxation and the retained loss for the financial year stated above and their historical cost equivalents.


The notes on pages 7 to 14 form part of these financial statements.

Abbreviated Balance Sheet

As at 31 October 2015

| | Note | £ | 2015 £ | £ | 2014 £ |
|---|------|--------------------|--------------------|--------------------|--------------------|
| Fixed assets | | | | | |
| Tangible assets | 6 | | 2,876,207 | | 2,650,885 |
| Current assets | | | | | |
| Stocks | 7 | 1,359,136 | | 1,426,420 | |
| Debtors | 8 | 1,177,696 | | 1,530,061 | |
| Cash at bank and in hand | | 162,666 | | 416,793 | |
| | | <u>2,699,498</u> | | <u>3,373,274</u> | |
| Creditors: amounts falling due within one year | 9 | <u>(5,360,331)</u> | | <u>(5,095,370)</u> | |
| Net current liabilities | | | <u>(2,660,833)</u> | | <u>(1,722,096)</u> |
| Total assets less current liabilities | | | <u>215,374</u> | | <u>928,789</u> |
| Provisions for liabilities | | | | | |
| Deferred tax | 10 | | <u>(7,048)</u> | | <u>(22,745)</u> |
| Net assets | | | <u>208,326</u> | | <u>906,044</u> |
| Capital and reserves | | | | | |
| Called up share capital | 11 | | 106,376 | | 106,376 |
| Revaluation reserve | 12 | | 891,029 | | 891,029 |
| Profit and loss account | 12 | | <u>(789,079)</u> | | <u>(91,361)</u> |
| Shareholders' funds | 13 | | <u>208,326</u> | | <u>906,044</u> |

The abbreviated accounts, which have been prepared in accordance with the provisions of section 445(3) of the Companies Act 2006 relating to medium-sized companies, were approved and authorised for issue by the board and were signed on its behalf by:



C R F Shield
 Director

Date: 15 June 2016

The notes on pages 7 to 14 form part of these financial statements.

Notes to the Abbreviated Accounts

For the year ended 31 October 2015

1. Accounting Policies

1.1 Basis of preparation of financial statements

The full financial statements, from which these abbreviated accounts have been extracted, have been prepared under the historical cost convention as modified by the revaluation of freehold land and buildings and in accordance with applicable accounting standards.

1.2 Turnover

Turnover comprises revenue recognised by the company in respect of goods and services supplied during the year from its activity in machining precision components. Turnover is recognised on despatch of goods.

1.3 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost or valuation less depreciation. Depreciation is provided at rates calculated to write off the cost or valuation of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

| | | |
|---------------------|---|--|
| Freehold property | - | 2.5% on a reducing balance basis. No depreciation is provided on freehold land |
| Plant & machinery | - | 20% on a reducing balance basis/on cost over 7 years |
| Motor vehicles | - | 25% on a reducing balance basis |
| Fixtures & fittings | - | 25% on a reducing balance basis |

1.4 Operating leases

Rentals under operating leases are charged to the Profit and loss account on a straight line basis over the lease term.

1.5 Stocks

Stocks are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving stocks.

1.6 Deferred taxation

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation.

Deferred tax is not provided on timing differences arising from the revaluation of fixed assets in the financial statements.

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse.

Deferred tax assets and liabilities are not discounted.

Notes to the Abbreviated Accounts

For the year ended 31 October 2015

1. Accounting Policies (continued)

1.7 Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date.

Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction.

Exchange gains and losses are recognised in the Profit and loss account.

2. Operating loss

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

| | 2015 | 2014 |
|--|-------------------|-------------------|
| | £ | £ |
| Depreciation of tangible fixed assets: | | |
| - owned by the company | 275,536 | 295,464 |
| Auditor's remuneration | 12,750 | 13,400 |
| Auditor's remuneration - non-audit | 3,400 | 2,850 |
| Operating lease rentals: | | |
| - other operating leases | 57,580 | 55,030 |
| Difference on foreign exchange | (12,852) | (1,190) |
| | <u> </u> | <u> </u> |

Notes to the Abbreviated Accounts

For the year ended 31 October 2015

3. Staff costs

Staff costs, including director's remuneration, were as follows:

| | 2015 | 2014 |
|-----------------------|------------------|------------------|
| | £ | £ |
| Wages and salaries | 2,383,134 | 2,571,598 |
| Social security costs | 223,510 | 249,639 |
| Other pension costs | 40,728 | 28,786 |
| | <u>2,647,372</u> | <u>2,850,023</u> |

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

| | 2015 | 2014 |
|-------------------------------|-----------|------------|
| | No. | No. |
| Productive and technical | 95 | 96 |
| Administrative and managerial | 4 | 4 |
| | <u>99</u> | <u>100</u> |

4. Director's remuneration

| | 2015 | 2014 |
|--------------|---------------|---------------|
| | £ | £ |
| Remuneration | <u>20,000</u> | <u>20,000</u> |

5. Taxation

| | 2015 | 2014 |
|--|-----------------|-----------------|
| | £ | £ |
| Analysis of tax charge in the year | | |
| Current tax (see note below) | | |
| UK corporation tax charge on loss for the year | - | 15,578 |
| Deferred tax (see note 10) | | |
| Deferred tax credit | (15,697) | (47,008) |
| Tax on loss on ordinary activities | <u>(15,697)</u> | <u>(31,430)</u> |

Notes to the Abbreviated Accounts

For the year ended 31 October 2015

5. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2014 - higher than) the standard rate of corporation tax in the UK of 20% (2014 - 21.83%). The differences are explained below:

| | 2015 £ | 2014 £ |
|---|------------------|--------------------|
| Loss on ordinary activities before tax | <u>(713,415)</u> | <u>(7,290,902)</u> |
| Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2014 - 21.83%) | <u>(142,683)</u> | <u>(1,591,604)</u> |
| Effects of: | | |
| Expenses not deductible for tax purposes, other than goodwill amortisation and impairment | 5,815 | 952 |
| Capital allowances for year less than depreciation | 16,656 | 31,002 |
| Utilisation of tax losses | - | (99) |
| Intercompany loan provisions leading to an increase in tax | 57,401 | 1,576,126 |
| Group relief | 62,861 | - |
| Marginal relief | - | (799) |
| Other differences | (50) | - |
| Current tax charge for the year (see note above) | <u>-</u> | <u>15,578</u> |

Factors that may affect future tax charges

There were no factors that may affect future tax charges.

Notes to the Abbreviated Accounts

For the year ended 31 October 2015

6. Tangible fixed assets

| | Freehold property £ | Plant & machinery £ | Motor vehicles £ | Fixtures & fittings £ | Assets under construction £ |
|--------------------------|---------------------------|---------------------------|------------------------|-----------------------------|-----------------------------------|
| Cost or valuation | | | | | |
| At 1 November 2014 | 1,704,000 | 9,411,943 | 57,744 | 506,563 | - |
| Additions | - | 183,353 | - | - | 317,505 |
| At 31 October 2015 | 1,704,000 | 9,595,296 | 57,744 | 506,563 | 317,505 |
| Depreciation | | | | | |
| At 1 November 2014 | 29,820 | 8,447,968 | 54,132 | 497,445 | - |
| Charge for the year | 29,075 | 243,279 | 903 | 2,279 | - |
| At 31 October 2015 | 58,895 | 8,691,247 | 55,035 | 499,724 | - |
| Net book value | | | | | |
| At 31 October 2015 | 1,645,105 | 904,049 | 2,709 | 6,839 | 317,505 |
| At 31 October 2014 | 1,674,180 | 963,975 | 3,612 | 9,118 | - |
| | | | | | Total £ |
| Cost or valuation | | | | | |
| At 1 November 2014 | | | | | 11,680,250 |
| Additions | | | | | 500,858 |
| At 31 October 2015 | | | | | 12,181,108 |
| Depreciation | | | | | |
| At 1 November 2014 | | | | | 9,029,365 |
| Charge for the year | | | | | 275,536 |
| At 31 October 2015 | | | | | 9,304,901 |
| Net book value | | | | | |
| At 31 October 2015 | | | | | 2,876,207 |
| At 31 October 2014 | | | | | 2,650,885 |

7. Stocks

| | 2015 £ | 2014 £ |
|-------------------------------------|------------------|------------------|
| Raw materials | 1,081,605 | 1,297,455 |
| Finished goods and goods for resale | 277,531 | 128,965 |
| | 1,359,136 | 1,426,420 |

Notes to the Abbreviated Accounts

For the year ended 31 October 2015

8. Debtors

| | 2015 | 2014 |
|--------------------------------|------------------|------------------|
| | £ | £ |
| Trade debtors | 802,166 | 1,473,147 |
| Corporation tax repayable | 17,016 | - |
| Other debtors | 1,035 | 1,034 |
| Prepayments and accrued income | 357,479 | 55,880 |
| | <u>1,177,696</u> | <u>1,530,061</u> |

Notes to the Abbreviated Accounts

For the year ended 31 October 2015

9. Creditors:

Amounts falling due within one year

| | 2015 | 2014 |
|------------------------------------|------------------|------------------|
| | £ | £ |
| Trade creditors | 631,346 | 692,822 |
| Amounts owed to group undertakings | 4,395,362 | 3,908,431 |
| Corporation tax | - | 15,578 |
| Other taxation and social security | 267,338 | 434,389 |
| Other creditors | 842 | 1,283 |
| Accruals and deferred income | 65,443 | 42,867 |
| | <u>5,360,331</u> | <u>5,095,370</u> |

10. Deferred taxation

| | 2015 | 2014 |
|----------------------------|--------------|---------------|
| | £ | £ |
| At beginning of year | 22,745 | 69,753 |
| Released during year (P&L) | (15,697) | (47,008) |
| | <u>7,048</u> | <u>22,745</u> |

The provision for deferred taxation is made up as follows:

| | 2015 | 2014 |
|--------------------------------|--------------|---------------|
| | £ | £ |
| Accelerated capital allowances | <u>7,048</u> | <u>22,745</u> |

11. Share capital

| | 2015 | 2014 |
|---|----------------|----------------|
| | £ | £ |
| Allotted, called up and fully paid | | |
| 100,000 Ordinary shares of £1 each | 100,000 | 100,000 |
| 6,376 Non cumulative preference shares of £1 each | 6,376 | 6,376 |
| | <u>106,376</u> | <u>106,376</u> |

Notes to the Abbreviated Accounts

For the year ended 31 October 2015

12. Reserves

| | Revaluation reserve £ | Profit and loss account £ |
|-----------------------------|-----------------------------|---------------------------------|
| At 1 November 2014 | 891,029 | (91,361) |
| Loss for the financial year | | (697,718) |
| At 31 October 2015 | <u>891,029</u> | <u>(789,079)</u> |

13. Reconciliation of movement in shareholders' funds

| | 2015 £ | 2014 £ |
|-----------------------------|----------------|----------------|
| Opening shareholders' funds | 906,044 | 8,165,516 |
| Loss for the financial year | (697,718) | (7,259,472) |
| Closing shareholders' funds | <u>208,326</u> | <u>906,044</u> |

14. Operating lease commitments

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

| | Land and buildings 2015 £ | 2014 £ |
|---------------|---------------------------------|-----------|
| Expiry date: | | |
| Within 1 year | - | 39,358 |

15. Ultimate parent undertaking and controlling party

The company is controlled by its parent company, Shield Engineering (Syston) Limited. The ultimate parent company is R A Shield Holdings Limited which is controlled by R A Shield.