Grant Thornton

Financial Statements
Mills CNC Limited

For the year ended 31 December 2011

Registered number: 1156673

Company Information

Directors	N Frampton A Jack N Ahluwalia (resigned 11 April 2011) P Hooper-Keeley (appointed 1 January 2012)
Company number	1156673
Registered office	Units 2&3 Tachbrook Link Tachbrook Park Drive Leamington Spa Warwickshire CV34 6SN
Auditor	Grant Thornton UK LLP Chartered Accountants & Statutory Auditor Enterprise House 115 Edmund Street Birmingham West Midlands B3 2HJ
Bankers	Barclays Bank Plc PO Box 885 Mortlock House Histon Cambridge CB4 9DE

Contents

Directors' Report
For the year ended 31 December 2011

The directors present their report and the financial statements for the year ended 31 December 2011

Principal activities

The company is primarily involved in the marketing, distribution and after sales servicing of CNC machine tools and is recognised as market leader within this sector

Business review

2011 was a record year for Mills CNC and we delivered over 440 machine tools to UK and Irish customers and saw our market share grow to approximately 25% of our addressable sector This was a great result for the hard work and effort put in by the whole team

Quality of customer support continues to be the foundation of our growth and we have continued to invest in the service support and the training academy side of the business during the year This has enabled us to cope with the increase in demand, with over 100 more machines delivered than in 2010, without decreasing the level of support we provide

Mills CNC's stockholding of machines in the UK has also enabled us to capitalise on the short lead time demand for machine tools within the UK precision engineering sector and has allowed us to gain a high percentage (32% of orders) of new customers during the year

Our supplier, Doosan Infracore, continues to develop and launch new and competitive models Doosan is now firmly established as a leading supplier of high technology machine tools throughout the world

We are entering 2012 with our best-ever forward order-book and having booked our largest ever stand at the Mach 2012 show, the directors consider that this show, together with our continued investment in service support, will see Mills CNC continue to grow and further develop its market position and customer base

Results and dividends

The profit for the year, after taxation, amounted to £2,550,456 (2010 - £1,218,890)

The directors have not recommended the payment of a dividend (2010 £900,000 dividend paid to company's parent)

Directors

The directors who served during the year were

N Frampton
A Jack
N Ahluwalia (resigned 11 April 2011)

P Hooper-Keeley was appointed as a director of the Company on 1 January 2012

Directors' Report
For the year ended 31 December 2011

Financial risk management objectives and policies

The company's principal financial instruments comprise letters of credit, hire purchase contracts, cash and short-term deposits The main purpose of the financial instruments is to raise finance for the company's operations The company has various other financial instruments such as trade debtors and trade creditors, which arise directly from its operations The company does not enter into derivative transactions

It is, and has been throughout the period under review, the company's policy that no trading in financial instruments shall be undertaken The main risks arising from the company's financial instruments are liquidity risk, foreign currency risk, and credit risk. The board reviews and agrees policies for managing each of these risks and they are summarised below

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

Foreign currency risk
The company purchases the CNC machines from a supplier in Korea In order to minimise the foreign currency risk relating to these transactions the supplier invoices the company in sterling

Credit risk
The company trades with only recognised, creditworthy third parties It is the company policy that all customers who wish to trade on credit terms are subject to credit vetting procedures In addition, receivable balances are monitored on an ongoing basis with the result that the company's exposure to bad debt is not significant

Directors' responsibilities statement

The directors are responsible for preparing the Directors' report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and 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 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

Directors' Report
For the year ended 31 December 2011

Provision 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'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 information needed by the company's auditor in connection with preparing its report 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

N Frampton
Director

Date 27 April 2012

Grant Thornton

Independent Auditor's Report to the Members of Mills CNC Limited

We have audited the financial statements of Mills CNC Limited for the year ended 31 December 2011, which comprise the Profit and loss account, the Balance sheet 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)

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 Auditing Practices Board's website at www frc org uk/apb/scope/private cfm

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2011 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements

Grant Thornton

Independent Auditor's Report to the Members of Mills CNC 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, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Grant Thornton UK LLP

David White (Senior statutory auditor)

for and on behalf of
Grant Thornton UK LLP

Chartered Accountants
Statutory Auditor

Birmingham

27 April 2012

Profit and Loss Account

For the year ended 31 December 2011

	Note	2011 £	2010 £
Turnover	1,2	**46,929,491**	27,342,738
Cost of sales		**(34,850,192)**	(19,850,838)
Gross profit		**12,079,299**	7,491,900
Distribution costs		**(343,983)**	(388,373)
Administrative expenses		**(7,752,077)**	(4,997,209)
Operating profit	3	**3,983,239**	2,106,318
Interest receivable and similar income		**2,308**	-
Interest payable and similar charges	6	**(508,042)**	(387,774)
Profit on ordinary activities before taxation		**3,477,505**	1,718,544
Tax on profit on ordinary activities	7	**(927,049)**	(499,654)
Profit for the financial year	16	**2,550,456**	1,218,890

All amounts relate to continuing operations

There were no recognised gains and losses for 2011 or 2010 other than those included in the Profit and loss account

The notes on pages 8 to 18 form part of these financial statements

Balance Sheet
As at 31 December 2011

	Note	£	2011 £	£	2010 £
Fixed assets					
Tangible assets	8		**275,615**		258,433
Investments	9		**-**		1,000
			275,615		259,433
Current assets					
Stocks	10	**9,619,251**		6,597,372	
Debtors	11	**14,725,512**		14,642,559	
Cash at bank		**2,260,230**		395,914	
		26,604,993		21,635,845	
Creditors: amounts falling due within one year	12	**(15,425,784)**		(13,815,934)	
Net current assets			**11,179,209**		7,819,911
Total assets less current liabilities			**11,454,824**		8,079,344
Provisions for liabilities					
Other provisions	14		**(1,754,115)**		(929,091)
Net assets			**9,700,709**		7,150,253
Capital and reserves					
Called up share capital	15		**212,600**		212,600
Profit and loss account	16		**9,488,109**		6,937,653
Shareholders' funds	17		**9,700,709**		7,150,253

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

N Frampton
Director

Date 27 April 2012

The notes on pages 8 to 18 form part of these financial statements

Notes to the Financial Statements
For the year ended 31 December 2011

1. Accounting Policies

1.1 Basis of preparation of financial statements

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

The company is itself a subsidiary company and is exempt from the requirement to prepare group accounts by virtue of section 400 of the Companies Act 2006 These financial statements therefore present information about the company as an individual undertaking and not about its group

1.2 Cashflow statement

The directors have taken advantage of the exemption in Financial Reporting Standard No 1 (Revised 1996) from including a cash flow statement in the financial statements on the grounds that the company is a wholly owned subsidiary and its results are consolidated within Ensco 881 Limited for which the accounts are publicly available

1.3 Turnover

Turnover comprises the amounts (excluding value added tax) derived from the provision of goods and services to third party customers Machine sales are accounted for upon delivery of the machine to the customer Income relating to maintenance contracts is spread over the period covered by the contract

1.4 Tangible fixed assets and depreciation

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

Plant & machinery, and motor vehicles	-	over 3 to 10 years
Fixtures & fittings	-	10 years
Leasehold improvements	-	over the lease term

1.5 Investments

Investments held as fixed assets are shown at cost less provision for impairment

1.6 Leasing and hire purchase

Assets obtained under hire purchase contracts 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

Notes to the Financial Statements
For the year ended 31 December 2011

1. Accounting Policies (continued)

1.7 Operating leases

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

1.8 Stocks

Stock and work in progress are stated at the lower of cost and net realisable value Cost includes all costs incurred in bringing each product to its present location and condition Net realisable value is based on estimated selling price allowing for all other costs of completion and disposal

1.9 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

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 discounted

1.10 Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date or contracted rate where applicable Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction or at the contracted rate Exchange differences are taken into account in arriving at the operating profit

1.11 Pensions

The company operates three defined contribution pension schemes and the pension charge in the profit and loss account represents the amounts payable by the company to the funds in respect of the year Membership eligibility comprises the directors, company executive management and other employees respectively

Notes to the Financial Statements
For the year ended 31 December 2011

1. Accounting Policies (continued)

1.12 Financial instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities Financial liabilities are presented as such in the balance sheet Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account Finance costs are calculated so as to produce a constant rate of return on the outstanding liability

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument Dividends and distributions relating to equity instruments are debited direct to equity

1.13 Warranties for goods sold

Provision is made for the estimated liability relating to all goods sold still under warranty, including claims already received Where parts are provided by the machine manufacturer free of charge the provision covers the cost labout element only The value of the provision needed is determined by considering the cost of the labour used historically during the warranty period on machines of a similar type

Where specific claims have been received that are outside of the warranty terms, but for which the company has an obligation to rectify a problem, then a rectification provision is made based on the best estimate of the costs involved

2. Turnover

The whole of the turnover is attributable to one class of business

A geographical analysis of turnover is as follows

	2011	2010
	£	£
United Kingdom	**43,462,904**	26,094,281
Rest of world	**3,466,587**	1,248,457
	46,929,491	27,342,738

Notes to the Financial Statements
For the year ended 31 December 2011

3. Operating profit

The operating profit is stated after charging

	2011	2010
	£	£
Depreciation of tangible fixed assets		
- owned by the company	**135,619**	115,212
- held under finance leases	**-**	11,110
Auditors' remuneration	**15,000**	15,000
Auditors' remuneration - non-audit	**2,500**	2,500
Operating lease rentals		
- plant and machinery	**394,773**	351,398
- other operating leases	**165,654**	165,073

4. Staff costs

Staff costs, including directors' remuneration, were as follows

	2011	2010
	£	£
Wages and salaries	**4,232,664**	3,079,007
Social security costs	**567,018**	386,278
Other pension costs	**457,131**	151,523
	5,256,813	3,616,808

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

	2011	2010
	No.	No
Operational staff	**45**	39
Finance and administrative staff	**6**	8
Directors	**2**	3
Sales and marketing staff	**17**	16
	70	66

Notes to the Financial Statements
For the year ended 31 December 2011

5. Directors' remuneration

	2011	2010
	£	£
Emoluments	769,149	405,177
Company pension contributions to defined contribution pension schemes	119,288	54,645

During the year retirement benefits were accruing to 3 directors (2010 - 3) in respect of defined contribution pension schemes

The highest paid director received remuneration of £399,883 (2010 - £151,745)

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £62,206 (2010 - £19,750)

6. Interest payable

	2011	2010
	£	£
Interest payable on bank borrowings	645	13,380
Other similar charges payable	507,397	374,394
	508,042	387,774

7. Taxation

	2011	2010
	£	£
Analysis of tax charge in the year		
UK corporation tax charge on profit for the year	939,254	446,099
Under/(over) provision in respect of prior year	(12,205)	53,555
Tax on profit on ordinary activities	927,049	499,654

Notes to the Financial Statements
For the year ended 31 December 2011

7. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is different to (2010 - different to) the standard rate of corporation tax in the UK of 26 5% (2010 - 28%) The differences are explained below

	2011	2010
	£	£
Profit on ordinary activities before tax	3,477,505	1,718,544
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 26 5% (2010 - 28%)	921,539	481,192
Effects of.		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	31,125	30,483
Capital allowances for year in excess of depreciation	(7,586)	(10,852)
Adjustments to tax charge in respect of prior periods	(12,205)	53,555
Short term timing difference	9,417	9,262
Group relief	(15,241)	(63,986)
Current tax charge for the year (see note above)	927,049	499,654

8. Tangible fixed assets

	Plant, machinery and motor vehicles	Fixtures & fittings	Leasehold improvements	Total
	£	£	£	£
Cost				
At 1 January 2011	815,292	137,145	422,766	1,375,203
Additions	91,775	61,026	-	152,801
At 31 December 2011	907,067	198,171	422,766	1,528,004
Depreciation				
At 1 January 2011	723,050	78,167	315,553	1,116,770
Charge for the year	59,072	46,538	30,009	135,619
At 31 December 2011	782,122	124,705	345,562	1,252,389
Net book value				
At 31 December 2011	124,945	73,466	77,204	275,615
At 31 December 2010	92,242	58,978	107,213	258,433

Notes to the Financial Statements

For the year ended 31 December 2011

9. Fixed asset investments

	Investments in subsidiary companies £
Cost	
At 1 January 2011	**1,000**
Amounts written off	**(1,000)**
At 31 December 2011	-

During the year the company's 100% subsidary, Mills Marketing Services Limited, was dissolved and as such the investment has been written off

10. Stocks

	2011 £	2010 £
Part stock	**1,336,965**	1,035,066
Machine stock	**8,282,286**	5,562,306
	9,619,251	6,597,372

11. Debtors

	2011 £	2010 £
Trade debtors	**4,519,867**	4,243,585
Amounts owed by group undertakings	**9,524,564**	9,593,473
Other debtors	**410,648**	591,077
Prepayments and accrued income	**262,189**	206,180
Deferred tax asset (see note 13)	**8,244**	8,244
	14,725,512	14,642,559

Notes to the Financial Statements

For the year ended 31 December 2011

12. Creditors:
Amounts falling due within one year

	2011	2010
	£	£
Other loans	**508,143**	392,320
Net obligations under finance leases and hire purchase contracts	**-**	9,258
Trade creditors	**8,918,236**	8,158,196
Amounts owed to group undertakings	**524,619**	1,614,483
Corporation tax	**482,608**	301,371
Social security and other taxes	**522,148**	540,667
Other creditors	**306,313**	125,799
Accruals and deferred income	**4,163,717**	2,673,840
	15,425,784	13,815,934

The other loan is secured by a fixed and floating charge against the stock of the company

Finance lease and hire purchase creditors are secured on the assets concerned

13. Deferred tax asset

	2011	2010
	£	£
At beginning and end of year	**8,244**	8,244

The deferred tax asset is made up as follows

	2011	2010
	£	£
Accelerated capital allowances	**15,362**	15,362
Other timing differences	**(7,118)**	(7,118)
	8,244	8,244

Notes to the Financial Statements

For the year ended 31 December 2011

14. Provisions

	Warranty provision £
At 1 January 2011	929,091
Additions	825,024
At 31 December 2011	1,754,115

Warranty provision

The warranty provision is based in projected costs to fulfil warranty oligations The warranty period varies from one to six years The rectification element of the provision allows for work needed relating to specific machines, as notified to the company by customers, that are not covered by the normal warranty terms

15. Share capital

	2011 £	2010 £
Allotted, called up and fully paid		
212,600 Alloted, called up and fully paid shares of £1 each	212,600	212,600

16. Reserves

	Profit and loss account £
At 1 January 2011	6,937,653
Profit for the year	2,550,456
At 31 December 2011	9,488,109

17. Reconciliation of movement in shareholders' funds

	2011 £	2010 £
Opening shareholders' funds	7,150,253	6,831,363
Profit for the year	2,550,456	1,218,890
Dividends (Note 18)	-	(900,000)
Closing shareholders' funds	9,700,709	7,150,253

Notes to the Financial Statements

For the year ended 31 December 2011

18. Dividends

	2011	2010
	£	£
Dividends paid on equity capital	-	900,000

19. Contingent liabilities

The company has entered into an unlimited guarantee in respect of bank loans and overdrafts with other companies within the group At the year end the facility was £3,750,000 (2010 £1,816,271)

There is also a group VAT registration in place There was a net creditor at the end of the year of £379,010 (2010 £435,726)

The company has outstanding letters of credit in favour of its suppliers amounting to £5,995,728 (2010 £3,656,124)

20. Pension commitments

The company operates a defined contributions pension scheme The assets of the scheme are held separately from those of the company in an independently administered fund The pension cost charge represents contributions payable by the company to the fund and amounted to £525,774 (2010 - £151,523) Contributions totalling £54,483 (2010 - £18,937) were payable to the fund at the balance sheet date and are included in creditors

21. Operating lease commitments

At 31 December 2011 the company had annual commitments under non-cancellable operating leases as follows

	Land and buildings		Other	
	2011	2010	2011	2010
	£	£	£	£
Expiry date:				
Within 1 year	-	-	39,394	79,366
Between 2 and 5 years	70,000	70,000	263,304	129,729
After more than 5 years	82,960	82,960	-	297,746
Total	152,960	152,960	302,698	506,841

22. Related party transactions

The company has taken advantage of the exemptions conferred under FRS8 from the disclosures of certain related party disclosures on the grounds that it is a wholly owned subsidiary

Notes to the Financial Statements
For the year ended 31 December 2011

23. Ultimate parent undertaking and controlling party

The company is owned by Mills Manufacturing Technology Holdings Limited

The parent undertaking of the largest and smallest group for which consolidated accounts are prepared is Ensco 881 Limited Consolidated accounts are available from The Secretary, Ensco 881 Limited, Units 2&3 Tachbrook Park Drive, Leamington Spa, Warwickshire, CV34 6SN

In the opinion of the directors, this is the company's ultimate parent company and the ultimate controlling party