Registered number: 01242917

Pryme Group Limited (formerly M.K.W. Engineering Limited)

Annual report and financial statements

for the year ended 31 March 2019

Pryme Group Limited

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For the year ended 31 March 2019

Directors and advisers

Directors

A J Gray
K R D Murray

Company Secretary

K R D Murray

Registered Office

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North Shields
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NE29 7UT

Solicitors

Pinsent Masons
13 Queens Road
Aberdeen
AB15 4YL

Independent Auditor

Deloitte LLP
Statutory Auditor
Union Plaza
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Aberdeen,
AB10 1SL

Banker
Bank of Scotland
Queen's Cross Branch
Aberdeen

Pryme Group Limited

Directors' report (continued)
For the year ended 31 March 2019

The directors present their annual report and the audited financial statements of Pryme Group Limited ("the Company"), for the year ended 31 March 2019. On 18 September 2018, MKW Engineering Limited changed its name to Pryme Group Limited.
The Company is entitled to the small companies' exemption and accordingly no Strategic Report is presented.

Principal Activities
Pryme Group Limited provides fabrication, assembly and precision engineering services primarily to the oil and gas industry.

The Company is one of a group of companies led by Pryme Group Holdings Limited ("the Group"), a provider of high quality outsourced manufacturing services to a broad range of customers operating in the oil and gas, defence, aerospace and other general industry sectors. The Group's aim is to provide integrated solutions for outsourced manufacturing to enable the customer to focus on its own core offering.

Business review and results
The directors consider turnover, gross profit and operating profit to be the key performance indicators in their ability to monitor the Company's strategic and operational effectiveness.
Turnover for the year was £3,296k (2018: £3,457k). The operating loss for the year was £3,177k (2018: loss £1,988k) and the loss for the financial year was £3,152k (2018: loss £1,696k). The Company relocated to one site in September 2018 and the trade and activities of two fellow Group companies were incorporated in to the Company in the year, which the directors believe will increase the Company's competitiveness and realise synergies across the Group. However, this has resulted in the Company having to bear higher running costs, whilst running two sites in order to maintain business continuity. In addition, the Company invested heavily in new machinery, rendering several machines obsolete, resulting in a loss on asset upon disposal of £526k.

Due to the protracted oil and gas downturn, trading conditions continued to be challenging for the year ended 31 March 2019 as a significant portion of the Company's revenue is generated from customers in this market. The Company continued to focus on cost reductions and increasing manufacturing efficiency in order to maintain margins and prepare the business for the upturn. In addition, the directors have continued to explore new markets and develop relationships with new customers and leverage opportunities from the wider Group.

Principal risks and uncertainties
The principal risks and uncertainties facing the Company are in relation to its exposure to the global demand for oil and gas. The probability of any cyclical changes in energy process and the extent and duration of such a change are difficult to predict but there are signs that the market may be recovering from the downturn.

Future developments
The strategy of the directors is to improve market share in existing markets. The directors aim to maximise profit margins by making improvements in operational performance and maintaining focus on the number of operational efficiencies implemented in order to keep the cost base as low as practical. As detailed above in principal risk and uncertainties, there are signs that the market may be recovering from the downturn which will have a positive impact on the Company. Until such time that the market improves, the Company will continue to rely on the support of its parent company.

Exit from the European Union

The UK referendum vote in June 2016 to leave the European Union has added to the risks and uncertainties faced by the Company. However, it is considered that the direct impact of these uncertainties on the Company is limited in the short term, although many details of the implementation process continue to remain unclear. Extricating from the European Union treaties is a task of immense complexity, but the Company has prepared itself to manage the possible impact on its business.

Directors' report (continued)
For the year ended 31 March 2019

Dividends

During the year the Company paid dividends of £nil (2018: £nil).

Financial Instruments

The Company's activities expose it to a number of financial risks including credit risk and liquidity risk. The use of financial derivatives is governed by the Company's policies approved by the board of directors, which provide written principles on the use of financial derivatives to manage these risks. The Company does not use derivative financial instruments for speculative purposes.

Credit risk

The Company's principal financial assets are bank balances, cash and trade and other receivables.

The Company's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables.

The Company's principal customers are major oil and gas industry service companies and, therefore, the main credit risks to the Company also relate to the price of oil. The Company does continually and actively monitor the credit worthiness of its customer base.

Liquidity risk

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the Company complies with the Pryme Group Holdings Limited's ("the Group") policies in this regard. The Group is predominantly equity financed, although it has two five-year loans in place with an outstanding balance of £1,880k as at 31 March 2019 (2018: £1,960k). In addition, the Group has access to a Revolving Credit Facility, with an outstanding balance of £700k.

Management monitors the timing of cash flows and aligns these with its strategic planning. The Group's primary source of finance is the cash flow generated from trading activities.

Directors

The directors who held office during the year and up to the date of signing the financial statements, except where noted, were as follows:

A J Gray
K R D Murray (appointed 14 May 2018)
M M Kerr (appointed 1 May 2018 and resigned 11 February 2019)
F W Watson (resigned on 14 May 2018)

Employees

Staff development

As part of the Pryme Group, the Company places a strong emphasis on employee communication and involvement. Quarterly communications are conducted at all Pryme locations by the CEO to update the employees on Pryme Group's performance and their own individual locations' performance.

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Company continues and that appropriate training is arranged. It is the policy of the Group that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Employee consultation

The Company places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on various factors affecting the Company and the Pryme Group.

Equal opportunities

It is the Company's policy to promote an environment free from discrimination, harassment and victimisation, where everyone will receive equal treatment regardless of age, gender, colour, ethnic or national origin, disability, hours of work, nationality, religion or belief, marital or civil partner status, disfigurement, political opinions or sexual orientation. All decision relation to employment practices will be objective, free from bias and based solely on work criteria and individual merit.

Going concern

The directors remain confident of the future prospects for the Company. Although inherent uncertainties exist within projections, having considered forecast results, the directors expect the Company to be profitable and cash generative in the foreseeable future. The directors believe that the cash on hand and cash generated from operations will be sufficient to fund operations, working capital needs, capital expenditure requirements and financing obligations for the foreseeable future. Subsequent to the year-end, additional funding has been secured by the Group from a related party and external provider to allow the Group to fund the operations for a period of at least twelve months. As a consequence the directors believe that the Company is well placed to manage its business risks successfully and therefore continue to adopt the going concern basis in the preparation of these financial statements.

Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial period. 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 Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the United Kingdom 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;

Pryme Group Limited

Directors' report (continued)
For the year ended 31 March 2019

Directors' responsibilities statement (continued)

- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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.

Auditor

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Independent Auditor's

The independent auditor's, Deloitte LLP, have indicated their willingness to continue in office and a resolution conceiving their re-appointment will be proposed at the forthcoming Annual General Meeting.

Directors' indemnities

During the year the Company made qualifying third party indemnity provisions for the benefit of its directors. These provisions remain in force at the date of this report.

Registered Number

The Company's registration number is 01242917.

Approved by the Board and signed on its behalf by:

Angus Gray
Director
27 July 2019

Independent auditor's report to the members of Pryme Group Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Pryme Group Limited (the 'Company'):

- give a true and fair view of the state of the Company's affairs as at 31 March 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the Profit and loss account
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 19.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Independent auditor's report to the members of Pryme Group Limited (continued)

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

Responsibilities of directors

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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Independent auditor's report to the members of Pryme Group Limited (continued)

Report on other legal and regulatory requirements

Opinions on other matters 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 directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters 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; or
- The directors were not entitled to take advantage of the small companies' exemption from the requirement to prepare a strategic report.

We have nothing to report in respect of these matters.

Use of our report

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.

LCowie

Lyn Cowie CA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Aberdeen, United Kingdom
23 July 2019

Pryme Group Limited

Profit and loss account
For the year ended 31 March 2019

	Note	2019 £	2018 £
Turnover	3	3,295,756	3,456,641
Cost of sales		(3,418,162)	(3,720,345)
Gross loss		(122,406)	(263,704)
Administrative expenses		(3,094,258)	(1,750,288)
Other operating income	3	39,549	26,362
Operating loss		(3,177,115)	(1,987,630)
Interest payable and similar expenses	4	(116,483)	(28,310)
Loss before taxation	5	(3,293,598)	(2,015,940)
Tax on loss	7	141,588	320,358
Loss for the financial year attributable to the shareholders of the Company		(3,152,010)	(1,695,582)

All activities relate to continuing operations. The Company had no recognised gains or losses other than those included in the results above. Accordingly, no separate statement of comprehensive income is presented.

Pryme Group Limited

Balance sheet
As at 31 March 2019

	Note	2019 £	2018 £
Fixed assets			
Tangible assets	8	5,138,096	1,557,129
Investments	9	-	4,000
		5,138,096	1,561,129
Current assets			
Stocks	10	75,232	125,336
Debtors	11	1,475,526	2,440,581
Cash at bank and in hand		27,529	41,848
		1,578,287	2,607,765
Creditors: amounts falling due within one year	12	(7,389,067)	(3,630,271)
Net current liabilities		(5,810,780)	(1,022,506)
Total assets less current liabilities		(672,684)	538,623
Creditors: amounts falling due after more than one year	13	(1,940,703)	-
Provisions for liabilities	14	-	-
Net (liabilities)/assets		(2,613,387)	538,623
Capital and reserves			
Called-up share capital	15	80,001	80,001
Profit and loss account	15	(2,693,388)	458,622
Shareholders' (deficit)/funds		(2,613,387)	538,623

The financial statements of Pryme Group Limited (registered number 01242917) were approved by the board of directors and authorised for issue on 23 July 2019. They were signed on its behalf by:

Angus Gray
Director
23 July 2019

Pryme Group Limited

Statement of changes in equity
For the year ended 31 March 2019

	Called-up share capital £	Profit and loss account £	Total £
At 1 April 2017	80,001	2,154,204	2,234,205
Loss for the financial year and total comprehensive expense	-	(1,695,582)	(1,695,582)
At 31 March 2018	80,001	458,622	538,623
Loss for the financial year and total comprehensive expense	-	(3,152,010)	(3,152,010)
At 31 March 2019	80,001	(2,693,388)	(2,613,387)

Pryme Group Limited

Notes to the financial statements
For the year ended 31 March 2019

1. Accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and to the preceding year.

a. General information and basis of accounting

Pryme Group Limited is a private company limited by shares incorporated in the United Kingdom, registered in England under the Companies Act. The address of the registered office is given on page 1. The nature of the Company's operations and its principal activities are set out in the directors' report on page 2.

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council. The Company has taken advantage of the following disclosure exemptions under FRS 102:

(a) The requirements of Section 7 *Statement of Cash Flows* and Section 3 *Financial Statement Presentation* paragraph 3.17(d); and
(b) Section 33 *Related Party Disclosures* paragraph 33.7.

The financial statements have been prepared under the historical cost convention.

The functional currency of the Company is considered to be pounds sterling because that is the currency of the primary economic environment in which the Company operates.

b. Going concern

At the time of approving the financial statements the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Further, the Company's ultimate parent company, Pryme Group Holdings Limited, has provided a letter stating its intention to provide adequate financial support to the Company to enable it to meet its financial commitments as they fall due. Thus, the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

c. Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost, less estimated residual value, over their expected useful life, as follows.

Alterations to Premises	-	2% straight line
Plant and Machinery	-	10% reducing balance
Office Equipment	-	20% straight line
Motor Vehicles	-	20% straight line
Loose Tools	-	33.3% straight line
Renewable Energy Installations	-	5% straight line

Residual value represents the estimated amount which would currently be obtained from disposal of an asset, after deducting estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

d. Stocks and work in progress

Stocks and work in progress are stated at the lower of cost and estimated selling price less costs to sell, which is equivalent to the net realisable value. Cost includes materials, direct labour and an attributable proportion of manufacturing overheads based on normal levels of activity. Cost is calculated using the FIFO (first-in, first-out) method. Provision is made for obsolete, slow-moving or defective items where appropriate

1. Accounting policies (continued)

e. Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument.

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 Company after deducting all of its liabilities.

Financial assets and liabilities

All financial assets and liabilities are initially measured at transaction price (including transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the statement of financial position when, and only when there exists a legally enforceable right to set off the recognised amounts and the Company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Debt instruments that have no stated interest rate (and do not constitute financing transaction) and are classified as payable or receivable within one year are initially measured at an undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment.

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the Company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the Company, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

(i) Equity instruments

Equity instruments issued by the Company are recorded at the fair value of cash or other resources received or receivable, net of direct issue costs.

f. Impairment of assets

Assets, other than those measured at fair value, are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss as described below.

Non-financial assets

An asset is impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated recoverable value of the asset has been reduced. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

Where indicators exist for a decrease in impairment loss, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

Financial assets

For financial assets carried at amortised cost, the amount of impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

1. **Accounting policies (continued)**

For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

Where indicators exist for a decrease in impairment loss, and the decrease can be related objectively to an event occurring after the impairment was recognised, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired financial asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

g. Taxation

Current tax, including UK corporation tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that, on the basis of all available evidence, 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 liabilities are recognised for timing differences arising from investments in subsidiaries and associates, except where the Company is able to control the reversal of the timing difference and it is probable that it will not reverse in the foreseeable future.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of the timing difference. Deferred tax relating to non-depreciable property, plant and equipment measured using the revaluation model and investment property is measured using the tax rates and allowances that apply to sale of the asset. In other cases, the measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Where items recognised in other comprehensive income or equity are chargeable to or deductible for tax purposes, the resulting current or deferred tax expense or income is presented in the same component of comprehensive income or equity as the transaction or other event that resulted in the tax expense or income.

Current tax assets and liabilities are offset only when there is a legally enforceable right to set off the amounts and the Company intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred tax assets and liabilities are offset only if: a) the Company has a legally enforceable right to set off current tax assets against current tax liabilities; and b) 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, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

h. Turnover

Turnover is stated net of VAT and trade discounts and is recognised when the significant risks and rewards are considered to have been transferred to the buyer. Turnover from the sale of goods is recognised when the goods are physically delivered to the customer. Turnover from the supply of services represents the value of services provided under contracts to the extent that there is a right to consideration and is recorded at the fair value of the consideration received or receivable. Where a contract has only been partially completed at the balance sheet date turnover represents the fair value of the service provided to date based on the stage of completion of the contract activity at the

1. Accounting policies (continued)

balance sheet date. Where payments are received from customers in advance of services provided, the amounts are recorded as deferred income and included as part of creditors due within one year.

Interest income is recognised when it is probable that economic benefits will flow to the Company and the amount of revenue can be measured reliably.

i. Employee benefits

The Company operates a defined contribution pension scheme and the pension charge represents the amounts payable by the Company to the fund in respect of the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

j. Foreign currency

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date. Exchange differences are recognised in profit or loss in the period in which they arise.

k. Leases

The Company as lessee

Assets held under finance leases, hire purchase contracts and other similar arrangements, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets at the fair value of the leased asset (or, if lower, the present value of the minimum lease payments as determined at the inception of the lease) and are depreciated over the shorter of the lease terms and their useful lives. The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the period of the leases to produce a constant periodic rate of interest on the remaining balance of the liability.

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term.

l. Government grants

Government grants are recognised based on the accrual model and are measured at the fair value of the asset received or receivable. Grants are classified as relating either to revenue or to assets. Grants relating to revenue are recognised in income over the period in which the related costs are recognised. Grants relating to assets are recognised over the expected useful life of the asset. Where part of a grant relating to an asset is deferred, it is recognised as deferred income.

Notes to the financial statements
For the year ended 31 March 2019 (continued)

2. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 1, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the Company's accounting policies

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Revenue recognition on long-term contracts

Once the costs to complete longer-term contracts can be estimated with reasonable certainty, revenue and costs are recognised based on the estimated percentage completion of each contract.

Key sources of estimation uncertainty

Recoverability of third party debtors and related party balances

The Company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors with third parties, management consider factors including the current credit rating of the debtor, the aging profile of debtors and historical collection experience.

Impairment of plant and machinery

Determining whether rental assets included into Plant and Machinery category are impaired requires estimation of their value in use, which in turn is based on the assessment of their future utilisation and revenue generation. The carrying amount of Plant and Machinery at the balance sheet date is £3,880,442 (2018: £1,342,320) with no impairment loss recognised during the current year and prior year.

3. Turnover

All of the Company's turnover is generated from the provision of engineering services in the UK.

An analysis of the Company's turnover and other operating income is as follows.

	2019 £	2018 £
Rendering of services	3,295,756	3,456,641
Other operating income	39,549	26,362
Total turnover	3,335,305	3,483,003

Other operating income represents a combination of sale of scrap material, as generated in the course of the business; the sale of equipment; and any other income deemed not in the ordinary course of business.

4. Interest payable and similar expenses

	2019 £	2018 £
Bank loans, overdrafts and bond facilities	40,741	28,020
Finance leases and hire purchase contracts	75,742	290
	116,483	28,310

5. Loss before taxation

Loss before taxation is stated after charging/ (crediting):

	2019 £	2018 £
Depreciation of tangible fixed assets (note 8)	527,021	277,770
Operating lease rentals	428,025	75,000
Loss on disposal of assets	526,499	27,750
Fees payable to auditor's - audit of the financial statements	14,700	14,000

The Company invested heavily in new machinery in the year, rendering several machines obsolete, resulting in a loss on asset upon disposal of £526k.

6. Staff numbers and costs

The average monthly number of employees (including executive directors) was:

	2019 No.	2018 No.
Production	43	51
Administration	18	20
	61	71

Their aggregate remuneration comprised:

	2019 £	2018 £
Wages and salaries	1,988,064	2,387,619
Social security costs	192,744	216,717
Other pension costs (see note 17)	23,937	14,801
	2,204,745	2,619,137

None of the directors are remunerated by this Company, remuneration is borne by other entities within the Pryme Group. For all directors it is not considered possible to apportion their remuneration to this entity on the basis of the services provided and accordingly no allocation has been made. The remuneration paid by other Group companies have been disclosed in the financial statements of the companies concerned.

7. Tax on loss

The tax credit comprises:

	2019 £	2018 £
Current tax on loss		
UK corporation tax	(92,318)	(77,415)
Adjustments in respect of previous years	(1,174)	(77,415)
Total current tax	(93,492)	(154,830)
Deferred tax		
Origination and reversal of timing differences	(48,096)	(203,696)
Adjustments in respect of previous periods	-	38,168
Total deferred tax (see note 14)	-	(165,528)
Total tax on loss	(141,588)	(320,358)

The Finance Act 2015, which was substantively enacted on 18 November 2015, reduce the tax rate from 1 April 2017 to 19% and from 1 April 2020 there is a further reduction to 18%. The Finance Act 2016, which was substantively enacted on 15 September 2016, amended the reduction from 1 April 2020 to 17%.

The difference between the total tax credit shown above and the amount calculated by applying the standard rate of UK corporation tax to the loss before tax is as follows.

	2019 £	2018 £
Loss before tax	(3,293,598)	(2,015,940)
Tax on loss at standard UK corporation tax rate of 19% (2018: 19%)	(625,784)	(383,029)
Effects of:		
- Expenses not deductible for tax purposes	58,710	524
- Effects of group relief	54,005	-
- Effects of changes in tax rates	54,996	-
- Adjustments to tax charge in respect of previous periods	(1,174)	(39,247)
- Research & Development Relief	(38,776)	(33,311)
- Deferred Tax not recognised	467,467	134,555
- Other timing differences	2,824	150
- Other tax adjustments, reliefs and transfers	(111,654)	-
- Tax credits	(2,202)	-
Total tax credit for the year	(141,588)	(320,358)

8. Tangible fixed assets

	Freehold property £	Renewable energy installations £	Plant and machinery £	Office equipment £	Tenant's Improve-ments £	Other assets £	Total £
Cost							
At 1 April 2018	7,520	138,295	2,222,815	363,949	68,415	231,262	3,032,256
Additions	-	-	3,348,121	63,120	1,016,871	111,281	4,539,393
Disposals	(14,972)	-	(1,736,911)	(299,267)	-	(40,870)	(2,092,020)
Transfers	7,452	-	459,492	5,549	-	-	472,494
At 31 March 2019	-	138,295	4,293,517	133,351	1,085,286	301,673	5,952,122
Depreciation							
At 1 April 2018	738	86,955	880,495	304,288	1,277	201,374	1,475,127
Charge for the year	150	6,915	383,622	25,237	72,637	38,460	527,021
Depreciation on disposals	(888)	-	(851,042)	(295,333)	-	(40,859)	(1,188,122)
At 31 March 2019	-	93,870	413,075	34,192	73,914	198,975	814,026
Net book value							
At 31 March 2019	-	44,425	3,880,442	99,159	1,011,372	102,698	5,138,096
At 31 March 2018	6,782	51,340	1,342,320	59,661	67,138	29,888	1,557,129

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

Net book value							
At 31 March 2019	-	-	3,083,363	30,330	-	-	3,133,693
At 31 March 2018	-	-	168,000	-	-	-	1,68,000

On 31 March 2019, the tangible fixed assets of Stargate Precision Engineering Limited and Total Maintenance Engineering Limited were transferred to Pryme Group Limited.

Pryme Group Limited

Notes to the financial statements
For the year ended 31 March 2019 (continued)

9. Fixed asset investments

	Unlisted Investments £	Total £
Cost		
At 1 April 2018	4,000	4,000
Disposals	(4,000)	(4,000)
At 31 March 2019	-	-
Net book value		
At 31 March 2019	-	-
At 31 March 2018	4,000	4,000

Unlisted investments comprise an investment in Newcastle United Platinum Club of £nil (2018: £4,000) held at cost.

10. Stocks

	2019 £	2018 £
Raw materials and consumables	32,501	37,220
Work in progress	42,731	88,116
	75,232	125,336

11. Debtors

	2019 £	2018 £
Amounts falling due within one year:		
Trade debtors	958,685	934,997
Amounts owed by group companies	-	542,979
Corporation tax	170,889	202,128
Other debtors	345,952	760,477
	1,475,526	2,440,581

Amounts owed by Group undertakings were repayable on demand and beared no interest.

12. Creditors: amounts falling due within one year

	2019 £	2018 £
Obligations under finance leases and hire purchase contracts (see note 13)	532,946	6,723
Trade creditors	743,219	649,014
Amounts due to group companies	4,927,338	2,017,161
Other creditors	991,452	747,071
Other taxation and social security costs	194,112	210,302
	7,389,067	3,630,271

The Company has granted a floating charge on all its assets to secure its ultimate parent company's ongoing bank facilities. During the year, a further floating charge on its assets was granted in support of a Group asset based lending facility.

Amounts owed to other Group undertakings are payable on demand and bear no interest.

Obligations under finance leases and hire purchase contracts are secured over the relevant assets.

13. Creditors: amounts falling due after more than one year

	2019 £	2018 £
Obligations under finance leases and hire purchase contracts	1,940,703	-

Borrowings are repayable as follows:

	2019 £	2018 £
Finance leases		
Between one and two years	506,727	-
Between two and five years	1,433,976	-
	1,940,703	-
On demand or within one year	532,946	6,723
	2,473,649	6,723

14. Provisions for liabilities

	Deferred taxation £
At 1 April 2018	48,096
Adjustments in respect of previous years	-
Charged to profit and loss account	(48,096)
At 31 March 2019	-

14. Provisions for liabilities (continued)

Deferred tax

Deferred tax is provided as follows.

	2019 £	2018 £
Fixed asset timing differences	-	151,755
Short term timing differences - trading	-	(499)
Losses and other deductions	-	(151,256)
Provision for deferred tax	-	-

Deferred tax assets and liabilities are offset only where the Company has a legally enforceable right to do so and where the assets and liabilities relate to income taxes levied by the same taxation authority on the same taxable entity or another entity within the Company.

15. Called-up share capital and reserves

	2019 £	2018 £
Allotted, called-up and fully-paid		
80,001 ordinary shares of £1 each	80,001	80,001

The Company has one class of ordinary shares which carry no right to fixed income.

The Company's other reserves are as follows.

The profit and loss account represents cumulative profits or losses, net of dividends paid and other adjustments.

16. Financial commitments

Total future minimum lease payments under non-cancellable operating leases are as follows.

	2019 Land and buildings £	2018 Land and buildings £
- within one year	214,875	89,375
- between one and five years	1,394,000	1,334,375
- after five years	1,696,250	-
	3,305,125	1,423,750

The significant non-cancellable operating leases are in respect of land and building rentals within the Company's operating location. As part of the plans to upgrade the Newcastle operations, the Company entered into a ten-year property lease, with a total lease commitment of £2,932,500.

17. Employee benefits

Defined contribution schemes

The Company operates defined contribution retirement benefit schemes for all qualifying employees. The total expense charged to profit or loss in the period ended 31 March 2019 was £23,937 (2018: £14,801). There was a balance outstanding of £7,737 in relation to pension liabilities at 31 March 2019 (2018: £2,934).

18. Related party transactions

The Company has taken advantage of FRS 102.33.1A 'Related Party Disclosures' and hence not disclosed details of transactions with other Group companies in which Pryme Group Holdings Limited ultimately owns 100% of the share capital.

19. Ultimate parent company and controlling party

The Company's ultimate parent undertaking is Pryme Group Holdings Limited (formerly Pryme Group Limited), a company incorporated and registered in Scotland, which was the smallest and largest parent undertaking to consolidate these financial statements as at 31 March 2019. The registered address of Pryme Group Holdings Limited is 11 Tom Johnston Road, West Pitkerro Industrial Estate, Dundee, DD4 8XD.

The majority of the equity of Pryme Group Holdings Limited is owned by Simmons Private Equity II LP, a private equity fund, registered in Guernsey. Simmons Private Equity II LP is controlled by its general partner, Parallel General Partner Limited, a non-cellular Guernsey limited company, the ultimate controlling party.