

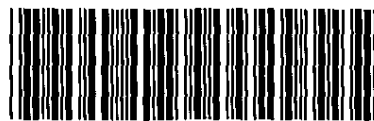
Nortest Limited

Directors' report and unaudited accounts

**For the 549 day period ended 31 December
2016**

Registered number: 01502537

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Nortest Limited

Contents

	Page
Company information	2
Strategic report	3
Directors' report	5
Director's responsibility statement	6
Profit and loss account	7
Balance sheet	8
Statement of changes in equity	9
Notes to the financial statements	10

Nortest Limited

Company information

Directors

Steven Dennison
Andrew Kinsey

Secretary

Pinsent Masons LLP
3 Hardman Street
Manchester
M3 3AU

Banker

HSBC Bank plc
2-4 Saint Anne's Square
Manchester
M2 7HD

Registered office

3rd Floor
5 New York Street
Manchester
M1 4JB

Registered No: 01502537

Nortest Limited

Strategic report

The directors of Nortest Limited present their strategic report on the affairs of the Company together with the financial statements for the period from 1 July 2015 to 31 December 2016.

Results

The results for the financial period are provided in the Profit and Loss Account on page 7 and in the notes to the financial statements on pages 10 to 17. The loss after taxation amounted to £280k.

Principal activities and review of the business

The Company provides testing services including mechanical and pressure testing, non-destructive testing and welding certification services to enable customers to manage risk and enhance the performance and reliability of their equipment and products.

The Company was acquired by British Engineering Testing Services Ltd on 21 July 2017.

Principal risks and uncertainties

Business and operational risk

Continued growth is dependent on the Company improving operational efficiencies, continuing to attract new customers and renewing contracts of existing customers. The servicing of the Company's growing customer base requires ongoing recruitment and retention of qualified personnel. The Company is committed to being a first-class employer and employing high calibre personnel in all areas.

The Company is confident of meeting the challenges of attracting new business due to the size of the market and the enhanced level of service offerings following substantial investment in infrastructure during the financial period.

Cash flow and liquidity risk

The Company aims to mitigate liquidity risk by proactively managing the cash generation of its operations. The Company also manages liquidity risk through loans from group undertakings which, in turn, utilise revolving credit facilities and long-term debt. Management considers short-term requirements against available sources of funding and taking into account forecast cash flow.

Currency risk

The Company's activities are heavily concentrated in the United Kingdom and, as such, there is minimal exposure to the financial risks of changes in foreign currency exchange rates. The Company does not use derivative financial instruments.

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. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

Nortest Limited

Strategic report (continued)

The Company does not have a significant concentration of credit risk, with exposure spread over a large number of customers. Credit risk is managed by trading only with recognised and creditworthy third parties. Receivable balances are monitored on an ongoing basis to ensure that the Company's exposure to bad debts is not significant.

Future developments

The directors expect the Company to cease trading and only hold fixed assets in the forthcoming year.

A handwritten signature in black ink, appearing to read 'S C D' followed by a long horizontal line.

Steven Dennison
Director
Nortest Limited
British Engineering
3rd Floor, 5 New York Street
Manchester
M1 4JB

14 November 2017

Nortest Limited

Directors' report

The directors of Nortest Limited present their directors' report for the period from 1 July 2015 to 31 December 2016.

Future developments

Details of future developments can be found in the Strategic Report on page 3 and form part of this report by cross-reference.

Events after the balance sheet date

There have been no significant events affecting the Company since the balance sheet date.

Dividends

No dividends can be paid or proposed (2015: £nil) to the Company's immediate holding company, British Engineering Testing Services Limited.

Directors

The directors, who served throughout the period, except as noted, were as follows:

Graham Charles King	(Resigned on 21 July 2016)
Kevin Cox	(Resigned on 21 July 2016)
Steve Dennison	(Appointed 6 October 2017)
Andrew Kinsey	(Appointed on 21 July 2016)
Lynn Krige	(Appointed on 21 July 2016, resigned 6 October 2017)

Going concern

The financial statements have been prepared using the going concern basis of accounting. Further details can be found in note 1 of the financial statements.

These accounts have been prepared in accordance with the small companies' regime of the Companies Act 2006 and have been approved by the Board and signed on its behalf by:



Steven Dennison
Director
Nortest Limited
British Engineering
3rd Floor, 5 New York Street
Manchester
United Kingdom
M1 4JB

14 November 2017

Nortest Limited

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 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 judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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.

Nortest Limited

Profit and loss account

The period ended 31 December 2016

	Note	1 July 2015 to 31 December 2016 £000	1 July 2014 to 30 June 2015 £000
Turnover	3	1,343	876
Cost of sales		(1,050)	(401)
Gross profit		293	475
Administrative expenses		(520)	(456)
Other operating income		-	4
Operating (loss)/profit		(227)	23
Operating (loss)/profit before exceptional costs		(93)	23
Exceptional costs – restructuring		(134)	-
Operating (loss)/profit		(227)	23
Finance costs (net)	5	(41)	(33)
Loss before taxation		(268)	(10)
Tax on loss on ordinary activities	6	(12)	(1)
Loss for the financial period		(280)	(11)

Nortest Limited

Balance sheet

At 31 December 2016

	Note	31 December 2016 £000	30 June 2015 £000
Fixed assets			
Tangible assets	7	688	559
		<u>688</u>	<u>559</u>
Current assets			
Stocks		-	69
Debtors	8	267	245
Cash at bank and in hand		66	-
		<u>333</u>	<u>314</u>
Creditors: Amounts falling due within one year	9	(967)	(297)
Net current (liabilities)/assets		<u>(634)</u>	<u>17</u>
Total assets less current liabilities		54	576
Creditors: Amounts falling due after more than one year	10	(12)	(254)
Net assets		<u>42</u>	<u>322</u>
Capital and reserves			
Called-up share capital	12	50	50
Profit and loss account		(8)	272
Total shareholder's funds		<u>42</u>	<u>322</u>

For the period ending 31 December 2016 the company was entitled to exemption from audit under section 479C of the Companies Act 2006, as all liabilities are guaranteed by British Engineering Services Topco Limited. 479A

Directors' responsibilities:

- The members have not required the company to obtain an audit of its accounts for the year in accordance with section 476,
- The directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of accounts
- These accounts have been prepared in accordance with the provisions applicable to companies' subject to the small companies' regime of the Companies Act 2006

The financial statements of Nortest Limited were approved by the board of directors and authorised for issue on 14 November 2017. They were signed on its behalf by:



Steven Dennison

Director

Registered number: 01502537

Nortest Limited

Statement of changes in equity

At 31 December 2016

	Called-up share capital £000	Profit and loss account £000	Total £000
At 30 June 2015	50	283	333
Loss and comprehensive expense for the period	-	(11)	(11)
At 30 June 2015	50	272	322
Loss and comprehensive expense for the period	-	(280)	(280)
At 31 December 2016	50	(8)	42

Nortest Limited

Notes to the financial statements

At 31 December 2016

1. Accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the current and preceding financial periods.

a. General information and basis of accounting

The Company is a private company limited by shares, incorporated in the UK and is registered in England and Wales. The address of the Company's registered office is British Engineering Services, 3rd Floor, 5 New York Street, Manchester, United Kingdom, M1 4JB.

The principal activities of the Company and the nature of its operations are set out in the strategic report on page 3.

The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value, and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council. The Company has applied the amendments to FRS 102 issued by the FRC in July 2015 and the amendments to Company law made by The Companies, Partnerships and Groups (Accounts and Reports) Regulations 2015 prior to their mandatory effective date of accounting periods beginning on or after 1 January 2016.

The prior year financial statements did not require restatement for material adjustments on adoption of FRS 102 in the current year.

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. The financial statements have been rounded to the nearest £000.

Nortest Limited meets the definition of a small company under FRS102 Section 1A and these accounts have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime of the Companies Act 2006. Nortest Ltd also meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it (under sections 7 and 28) in respect of the presentation of a cash flow statement, remuneration of key management personnel and financial instruments.

For the period ended 31 December 2016 Nortest Limited was entitled to the exemption from audit under Section 479A of the Companies Act 2006 relating to subsidiary companies.

b. Basis of consolidation

Consolidated financial statements have not been prepared under section 400 of the Companies Act as the Company is a wholly owned subsidiary of British Engineering Services Topco Limited, a company incorporated in the United Kingdom and registered in England and Wales. British Engineering Services Topco Limited produces consolidated financial statements including the results of Nortest Limited..

c. Going concern

The directors have received confirmation that British Engineering Services Topco Limited ("Topco"), the group holding company, will continue to provide the necessary level of support to enable the Company to continue to operate for the foreseeable future. In considering the ability of Topco to provide any necessary support the directors have obtained an understanding of Topco's trading and cashflow forecasts for the period to 31 December 2018 with reference to covenants on the external borrowing to ensure these can be complied with.

Taking all these factors into account, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and therefore continue to adopt the going concern basis in preparing the annual report and financial statements.

Nortest Limited

Notes to the financial statements (continued)

At 31 December 2016

1. Accounting policies (continued)

d. Tangible fixed assets

Tangible fixed assets are stated at cost or valuation, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

Leasehold property	- remaining lease term
Fixtures and fittings	- 3 years
Motor vehicles	- shorter of 5 years or the remaining lease term
Plant and machinery	- 3 to 10 years

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.

Leasehold property is stated at fair value and is valued periodically by an independent valuer. Any revaluation gain or loss will be recognised in revaluation reserve through other comprehensive income.

e. Stocks

In the prior period stocks were stated at the lower of cost and estimated selling price less costs to sell, which is equivalent to the net realisable value. Cost is calculated using the FIFO (first-in, first-out) method. Provision is made for obsolete, slow-moving or defective items where appropriate.

In the current period the accounting policy was changed with all balances historically classified as stocks being written off to the profit and loss account upon receipt.

f. Taxation

Full provision is made for deferred tax assets and liabilities arising from timing differences between the recognition of gains and losses in the accounts and their recognition for tax purposes.

g. Turnover

Services are invoiced in arrears and turnover is recognised in the period in which the services are provided in accordance with the stage of completion of the contract at the balance sheet date.

h. 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.

Other exchange differences are recognised in profit or loss in the period in which they arise.

i. 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.

Nortest Limited

Notes to the financial statements (continued)

At 31 December 2016

1. Accounting policies (continued)

i. Leases (continued)

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.

j. Exceptional costs

Exceptional items are those which are material due to their nature and which are non-recurring. The Company includes the following costs as exceptional items:

Restructuring:	write-off of fixed assets not considered supportable at the point of acquisition by British Engineering Testing Services Limited.
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k. Related party transactions

In accordance with Section 33 of FRS 102 the company has not disclosed details of transactions with fellow wholly owned undertakings within the British Engineering Services Topco Limited group of companies.

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.

Valuation of leasehold property

Leasehold property is held at fair value and is periodically valued by an independent valuer. At the balance sheet date the directors have assessed the value given subsequent changes in the market and deem it to still be an appropriate valuation at 31 December 2016.

Nortest Limited

Notes to the financial statements (continued)

At 31 December 2016

3. Turnover and revenue

An analysis of the Company's turnover by class of business is set out below.

	1 July 2015 to 31 December 2016 £000	1 July 2014 to 30 June 2015 £000
Turnover:		
Testing	1,343	876

The Company's revenue relates solely to the rendering of Services within the United Kingdom.

4. Exceptional costs

	1 July 2015 to 31 December 2016 £000	1 July 2014 to 30 June 2015 £000
Restructuring	134	-

5. Finance costs (net)

Interest payable and similar expenses

	1 July 2015 to 31 December 2016 £000	1 July 2014 to 30 June 2015 £000
Interest payable on bank loans and overdrafts	(41)	(33)

Nortest Limited

Notes to the financial statements (continued)

At 31 December 2016

6. Tax on loss on ordinary activities

The tax charge comprises:

	1 July 2015 to 31 December 2016 £000
Current tax on loss	
UK corporation tax	5
Total current tax	5
Deferred tax	
Deferred tax credit	(35)
Adjustment in respect of prior years	42
Total deferred tax	7
Total tax on loss	12

The standard rate of tax applied to reported profit is 20% (2015: 20%). The applicable tax rate has changed following the substantive enactment of the Finance Act 2015.

There is no expiry date on timing differences, unused tax losses or tax credits.

The differences between the total tax charge shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows:

	1 July 2015 to 31 December 2016 £000
Loss before tax	(268)
Tax credit on loss at standard UK corporation tax rate of 20% (2015: 20%)	(54)
Effects of:	
- Expenses not deductible for tax purposes	23
- Difference in deferred tax rate	1
- Adjustment in respect of prior years	42
Total current tax charge	12

Nortest Limited

Notes to the financial statements (continued)

At 31 December 2016

7. Tangible fixed assets

	Leasehold Property £000	Plant and machinery £000	Fixtures and fittings £000	Motor Vehicles £000	Total £000
Cost or valuation					
At 1 July 2015	306	527	72	89	994
Revaluations	(95)	-	-	-	(95)
Additions	278	280	147	65	770
Disposals	(27)	(284)	(36)	(91)	(438)
At 31 December 2016	462	523	183	63	1,231
Depreciation					
At 1 July 2015	-	346	43	46	435
Charge for the year	-	349	62	(7)	404
Disposals	-	(259)	(34)	(3)	(296)
At 31 December 2016	-	436	71	36	543
Net book value					
At 31 December 2016	462	87	112	27	688
At 30 June 2015	306	181	29	43	559

The net book value of assets held under finance leases included above is £27k and relates to motor vehicles.

Leasehold property is held at fair value and was valued by an independent valuer on 13 April 2016 at £462k. The directors have assessed the value given subsequent changes in the market and deem it to still be an appropriate valuation at 31 December 2016.

Nortest Limited

Notes to the financial statements (continued)

At 31 December 2016

8. Debtors

	31 December 2016 £000	30 June 2015 £000
<i>Amounts falling due within one year:</i>		
Trade debtors	218	224
Bad debt provision	-	(1)
Prepayments and accrued income	49	22
	<u>267</u>	<u>245</u>

9. Creditors – amounts falling due within one year

	31 December 2016 £000	30 June 2015 £000
Bank loans and overdrafts	-	20
Obligations under finance leases	4	12
Trade creditors	-	38
Corporation tax	4	1
Deferred tax liability	7	-
Other taxation and social security	30	53
Other creditors	-	162
Amounts owed to Group undertakings	886	-
Accruals and deferred income	36	11
	<u>967</u>	<u>297</u>

Amounts owed to Group undertakings are repayable on demand.

10. Creditors – amounts falling due after more than one year

	31 December 2016 £000	30 June 2015 £000
Bank loans	-	227
Obligations under finance leases	12	27
	<u>12</u>	<u>254</u>

Nortest Limited

Notes to the financial statements (continued)

At 31 December 2016

11. Employee numbers

	1 July 2015 to 31 December 2016 Number	1 July 2014 to 30 June 2015 Number
The average number of persons employed by the company was:	12	17

12. Called-up share capital and reserves

	31 December 2016 £000	30 June 2015 £000
Allotted, called-up and fully-paid 50,000 ordinary shares of £1	50	50

13. Ultimate parent company and controlling party

The immediate parent company is British Engineering Testing Services Limited, a company incorporated in the United Kingdom. The largest and smallest group in which the results of the Company are consolidated is that headed by British Engineering Services Topco Limited, a company incorporated in the United Kingdom. Copies of the consolidated financial statements of British Engineering Services Topco Limited are available from Companies House, Crown Way, Cardiff CF14 3UZ.

Funds managed by Inflexion Private Equity Partners LLP are the majority shareholders and ultimate controlling party of British Engineering Services Topco Limited.