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Alderley plc

Report and Financial Statements

Year Ended

30 September 2016

Company Number 02378070

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Alderley plc

Company information

Directors	M A Colebrook A C Mansfield L M Rose A J V Shepherd P A Slatter A J S Wilson
Company secretary	K J Coggins
Registered number	02378070
Registered office	Alderley House Arnolds Field Estate The Downs Wickwar Wotton-under-Edge Gloucestershire GL12 8JD
Independent auditors	BDO LLP 55 Baker Street London W1U 7EU
Bankers	Lloyds Bank plc 3 East Walk Yate South Gloucestershire BS37 4AT

Alderley plc

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Alderley plc

Group Strategic Report For the Year Ended 30 September 2016

Introduction

The Alderley Group financial statements for 2015/2016 report a pre-tax profit of £2.3m (2015 - £2.6m), on a turnover of £57.8m (2015 - £66.8m). Operating profit is 13% lower than the previous year.

Turnover originating in the UK fell by 19% reflecting the decline in the oil price and activity in the oil market. Turnover originating from outside the UK fell by 5%. In the year under review 78% of Alderley's turnover was for customers located outside the UK. This compares to 66% in the prior year reflecting the international spread of Alderley's oil and gas business.

Principal activities and review of the business

The core business remains the supply of bespoke systems for the upstream oil and gas industry. Alderley specialises in flow measurement, produced water treatment and wellhead control systems.

The group continues to operate mainly from its own substantial engineering offices and assembly workshops in Wickwar and Great Yarmouth in the UK and in the Middle East in both Jebel Ali Free Zone in Dubai and Dammam in the Kingdom of Saudi Arabia.

The principal activities of the group are:

- Design, supply, assembly and commissioning of systems for fiscal and custody transfer metering, produced water treatment, chemical injection and wellhead control along with associated spares, service and maintenance.
- Provision of consultancy and auditing services, and related software, for the measurement of flow in the upstream oil and gas industry.
- The operation of a commercial farm.

The key financial and other performance indicators during the year for Alderley plc and its subsidiaries were:

	2016	2015	Change
	£000	£000	
Group turnover	57,781	66,809	(14%)
Operating profit	2,304	2,655	(13%)
Profit before tax	2,268	2,631	(14%)
Profit after tax	2,136	2,181	(2%)
Shareholders' funds	29,834	27,045	10%
Cash(outflow) / inflow	(8,025)	1,215	
Net (debt) / funds (cash less borrowings)	(169)	7,325	
Number of employees	410	444	(8%)

The group's tangible fixed asset expenditure in 2016 was £944,000 (2015: £2,668,000). This expenditure excludes £2.4m for new site in Dammam, Saudi Arabia, which is shown in the accounts as a prepayment and which was finally acquired in October 2016.

Alderley plc

Group Strategic Report (continued) For the Year Ended 30 September 2016

Systems division

Alderley Free Zone Establishment (AFZE)

AFZE is Alderley's biggest company on a turnover basis. Located in Dubai and with a branch in Dammam, Saudi Arabia, it serves the Middle East in general and specifically Saudi Arabia. Concentrating on flow measurement systems 2015/2016 saw its turnover fall from £25.6m to £24.2m but operating profit increased as a result of better procurement and the receipt of variation orders from customers where costs had been taken in the previous year. The group showed its continuing commitment to the Saudi Arabian market by committing to a new site in that country, the purchase of which was finally completed in October 2016.

Specialised Management Services Limited (SMS)

SMS was a continuing success for the group in 2016 despite the decline in the UK market. Turnover only decreased by 2% although operating profit decreased by 5% from £2.0m to £1.9m. The expectation is that there will be some further decrease in both turnover and operating profit in the near future although increased maintenance and international work will go some way to offsetting this.

SMS has expanded its business in recent years and, in order to accommodate this increase, it built a new facility, comprising 1,000m² of office and 1,800m² of workshop space, on the Beacon Park development in Great Yarmouth. This was completed in the first quarter of the 2015 / 2016 financial year.

Alderley Process Technologies Limited (APT)

Operating in the produced water treatment sector of the oil and gas industry, APT undertook a number of challenging projects which resulted in substantial cost overruns. Located in South Gloucestershire close to Alderley's Wickwar site, a decision was taken to transfer future orders, and certain assets and liabilities, to Alderley Systems Limited from 1 December 2016.

Alderley Systems Limited (ASL)

Like AFZE, ASL supplies metering systems but concentrates on the European, FSU and African markets. 2015/2016 was a difficult year for ASL with turnover 47% lower than the prior year with an operating loss of £0.5m.

However, the directors remain confident in the outlook for ASL in the medium term. The company's well established reputation in the market place will help it to secure new business and the continued development of its products, trading territories and operational performance will yield revenue and profit despite the current market conditions. In support of this the company was recapitalised in the prior year with 1,500,000 Ordinary shares of £1 each being issued to Alderley plc in return for £1,500,000 in cash.

Alderley Asia Pacific Pte Limited (AAP)

AAP was set up in March 2015 to build on Alderley's business opportunities in the Far East. In the year it made a loss of £0.2m.

Consultancy division

Kelton Engineering Limited (Kelton)

Kelton, the group's consultancy business, specialises in auditing fiscal and custody transfer metering systems and other general metering consultancy work. It also supplies software. Turnover was down 27% on the previous year at £4.9m (2015 - £6.7m).

Alderley plc

Group Strategic Report (continued) For the Year Ended 30 September 2016

Farming

Alderley Farms Limited

Alderley owns and manages a substantial agricultural business. Whilst trading results have been poor, the capital value of the land and buildings is significant. This represents a significant part of the security available to cover the group's bond requirements within its other businesses.

Current and future developments

The group will continue to invest in innovative technology and in developing markets to ensure that it continues to differentiate itself from its competitors.

Principal risks and uncertainties

The principal financial risks to which the group is exposed are noted below and these risks are managed in accordance with Board approved policies.

Foreign currency risk

It is group policy that exposures resulting from sales and purchases in foreign currency are matched where possible, and the net exposure may be hedged by the use of forward exchange contracts. The group does not undertake speculative foreign exchange dealings for which there is no underlying exposure. The substantial decline in the value of sterling against the US dollar should benefit the group in the longer term as it operates in a dollar denominated market.

Credit risk

Management has a credit policy in place and exposure to credit risk is monitored on an on-going basis. Credit evaluations are carried out on all customers requiring credit and, where appropriate, the group endeavours to minimise risk by the use of trade finance instruments such as letters of credit and credit insurance. Management monitors the concentration of credit risk on an ongoing basis. The nature of the group's larger contracts does mean that concentrations of credit risk do occur from time to time.

Interest rate risk

The group is exposed to a certain level of interest risk as a result of its overdraft facility and bank loans, although limited in size. The risk is moderated by ensuring cash is appropriately managed to reduce the requirement for an overdraft and loans are currently being repaid within term. In negotiating for such facilities the group also seeks to receive competitive interest rates. The group does not undertake any hedging activity in this area.

Operational risk

The principal operational risk faced by the group is the group's exposure to the contingent liabilities as disclosed in note 28. The group has implemented appropriate quality control procedures to mitigate the risk that these amounts will become payable.

Contracting and estimation risk

The group is exposed to the risk that actual contract costs exceed the budgeted levels. The group's operations and the size and long term nature of some contracts require the group to estimate budgeted contract costs and then to manage contracts so that variances from budget are minimised. The group has contract budgeting and review procedures in place to mitigate this risk.

Alderley plc

Group Strategic Report (continued) For the Year Ended 30 September 2016

General market risk

The principal market risk faced by the group is its exposure to fluctuations within the oil and gas market. The group comprises a number of different entities which operate within different geographical locations and markets. The group's geographical diversification and focus on gas as well as oil projects partially mitigates the risk associated with these fluctuations. The current lower level of oil price is likely to lead to increased levels of production and capital investment in low cost production areas such as Saudi Arabia and the Gulf states. These are Alderley's principal markets and where additional opportunities should more than compensate for the loss of markets in the North Sea. The group is also looking at further market diversification.

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



A J V Shepherd

Chairman

Date: 24 MAY 2017

Alderley plc
Directors' Report
For the Year Ended 30 September 2016

The directors present their report and the financial statements for the year ended 30 September 2016.

The directors have chosen, in accordance with section 414C(11) of the Companies Act 2006, to set out in the company's strategic report information required by Schedule 7 to the Accounting Regulations to be contained in the directors' report. This information includes future developments of the group, the existence of branches outside the UK and the risks associated with the use of financial instruments.

Directors' responsibilities statement

The directors are responsible for preparing the group strategic report, the directors' report and the consolidated 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). 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 the group and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the Group financial statements 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 Group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group 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 the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Results and dividends

The profit for the year, after taxation, amounted to £2,136,000 (2015 - £2,181,000).

Dividends of £573,000 were declared and paid in full during the year ended 30 September 2016 (2015 - £1,033,000). Since the year-end, dividends totalling £678,611 have been declared of which £631,811 has been paid. In respect of the balance of £46,800, the shareholder waived their entitlement to the dividends.

Directors

The directors who served during the year were:

M A Colebrook
A C Mansfield
L M Rose
A J V Shepherd
P A Slatter
A J S Wilson
I Hewitt (resigned 16 February 2016)

Alderley plc

Directors' Report (continued) For the Year Ended 30 September 2016

Policy on the payment of creditors

It is the group's policy to pay creditors according to the terms and conditions agreed. For the year ended 30 September 2016, the year-end creditor days were 49 days (2015 - 66 days).

Research and development

The group will continue its policy of investment in research and development in order to retain a competitive position in the market.

Directors' qualifying third party indemnity provision

The company has granted an indemnity to one or more of its directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006. Such a qualifying third party indemnity provision remains in force as at the date of approving the directors' report.

Going concern

The directors of the company have prepared consolidated trading projections through to the period ending May 2018 which forecast continuing profitability and cash generation for the group. These forecasts take account of certain sensitivities, including possible changes in trading performance, and show that the group will be able to successfully operate at and within the level of the facilities currently extended by the bank.

Details of the security related to the existing borrowing facilities are set out in notes 20 and 22.

Consequently the directors have prepared these financial statements on a going concern basis.

Ethical conduct

Alderley's zero tolerance towards bribery sends a strong message to our customers, suppliers and other stakeholder groups that Alderley is committed to upholding the UK's Bribery Act 2010. Alderley invests considerable time and effort reviewing and updating our internal policies and procedures in order that we are able to confidently assert that we are operating in a bribery and corruption free environment.

Health, safety and environment

Given the nature and demands of our business, ensuring a high level of performance in health and safety is absolutely essential, and Alderley has a strong track record in these areas. We are very conscious that there is no room for complacency when it comes to employee welfare and sustainability. We seek to improve our performance year-on-year.

Alderley will make proper provision for the health, safety and welfare of its people, visitors and contractors and those in the community who may be affected by its activities. Alderley will care for the environment through a commitment to good environmental practices. Continual improvement will be achieved by implementing the Alderley Group Health, Safety & Environment (HS&E) Management System and related standards, which will include the setting of objectives and targets. As a minimum, Alderley will meet relevant legal, industry, business and other requirements.

Alderley aims to reduce the health, safety and environmental impacts of its products and processes and prevent pollution by utilising a structured risk management approach, taking into account the needs of our customers and society. All new activities will be assessed for environmental impact and appropriate health and safety arrangements.

Alderley plc

Directors' Report (continued) For the Year Ended 30 September 2016

People

Attracting, developing and retaining talented staff is a major challenge for the oil and gas industry and at Alderley we are fortunate to have high quality people across the whole range of our services. It is therefore vital for our continued success that we support and encourage personal development and career progression, and treat our people with respect, maturity and openness. We also invest significantly in enhancing and widening their skill sets. We are confident that this approach is the one most likely to enable us to achieve our business objectives by providing quality, continuity and growth. In addition, with a diverse range of nationalities working within the group, we also respect and recognise the value of different cultures.

Equal opportunities

Alderley is committed to the principle of equal opportunity in employment. Accordingly, our employment policies for recruitment and selection, training, development and promotion are designed to ensure that no job applicant or employee receives less favourable treatment on the grounds of age, disability, race, colour, nationality, ethnic or national origin, religion or belief, trade union membership or non-membership, pregnancy and maternity, sex, sexual orientation, gender reassignment or marriage or civil partnership status. The objective of this policy is to ensure that individuals are selected, promoted and otherwise treated solely on the basis of their relevant aptitudes, skills, abilities, performance and achievements.

Disabled employees

As an equal opportunities employer we give full consideration to applications for employment from disabled persons (as set out by the Equality Act) where the requirements of the job can be adequately fulfilled by a disabled person. Where existing employees become disabled, it is our policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to disabled employees wherever appropriate.

Employee involvement

During the year, the policy of providing employees with information about the group and company has been continued through internal media methods in which employees have also been encouraged to present their suggestions and views on the group's and company's performance. Regular meetings are held between local management and employees to allow a free flow of information and ideas.

Modern Slavery Policy

Alderley prides itself on setting high standards for sustainable and ethical business practices in its operations worldwide. Included in those high standards is a commitment to respecting and protecting the human rights of all individuals and preventing all forms of modern slavery or human trafficking in all parts of our business organisation, including our supply chain. We are continually developing and improving our business practices and policies in line with that commitment. We support a strong, collective stand to identify, prevent, and raise awareness of modern slavery and human trafficking practices in all parts of the world.

Disclosure of information to auditors

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 and the Group's auditors are 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 relevant audit information and to establish that the Company and the Group's auditors are aware of that information.

Alderley plc

Directors' Report (continued) For the Year Ended 30 September 2016

Post statement of financial position events


2016/2017 has seen a decline in orders and the directors' expectation for 2016/2017 is that turnover and profit before tax will both be lower than in 2015/2016. The directors' remain confident that the group is well placed to capture orders for future opportunities and return to higher levels of profitability as the oil market recovers from its current low level.

Since the year-end, dividends totalling £678,611 have been declared of which £631,811 has been paid. In respect of the balance of £46,800, the shareholder waived their entitlement to the dividends.

Auditors

The auditors, BDO LLP, were appointed on 10 August 2016 and will be proposed for reappointment in accordance with section 489 of the Companies Act 2006.

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



A J V Shepherd

Director

Date: 24 MAY 2017

Alderley plc

Independent Auditors' Report to the Members of Alderley plc

We have audited the financial statements of Alderley plc for the year ended 30 September 2016 which comprise the consolidated statement of comprehensive income, the consolidated and company statements of financial position, the consolidated and company statements of changes in equity, the consolidated statement of cash flows 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 auditors

As explained more fully in the statement of directors' responsibilities, 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 Financial Reporting Council's (FRC'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 FRC's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's affairs as at 30 September 2016 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 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 strategic report and directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Alderley plc

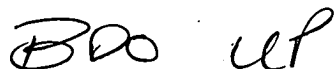
Independent Auditors' Report to the Members of Alderley plc (continued)

Matters on which we are required to report by exception

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 material misstatements in the strategic report or the directors' report.

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.



Ryan Ferguson (Senior statutory auditor)
for and on behalf of BDO LLP, Statutory auditor
London

United Kingdom

Date: 24 May 2017

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Alderley plc

Consolidated Statement of Comprehensive Income For the Year Ended 30 September 2016

	Note	2016 £000	2015 £000
Turnover	4	57,781	66,809
Other operating income		77	54
Raw materials and consumables		(29,427)	(37,666)
Staff costs	7	(19,457)	(19,756)
Depreciation and amortisation		(882)	(912)
Revaluation below cost	15	(329)	-
Other operating charges		(5,459)	(5,874)
Operating profit	5	2,304	2,655
Interest receivable and similar income	9	4	5
Interest payable and expenses	10	(40)	(29)
Profit before taxation		2,268	2,631
Tax on profit	11	(132)	(450)
Profit for the year		2,136	2,181
Unrealised surplus on revaluation of tangible fixed assets		85	7
Currency translation differences		1,141	537
Other comprehensive income for the year		1,226	544
Total comprehensive income for the year attributed to the shareholders of the parent company		3,362	2,725

The notes on pages 19 to 49 form part of these financial statements.

Alderley plc

Consolidated Statement of Financial Position As at 30 September 2016

	Note	2016 £000	2016 £000	2015 £000	2015 £000
Fixed assets					
Intangible assets	14		1,370		1,542
Tangible assets	15		13,969		13,776
			<u>15,339</u>		<u>15,318</u>
Current assets					
Stocks	17	557		524	
Debtors: amounts falling due within one year	18	34,437		24,131	
Cash at bank and in hand	19	1,231		8,725	
		<u>36,225</u>		<u>33,380</u>	
Creditors: amounts falling due within one year	20	(19,831)		(19,660)	
Net current assets			<u>16,394</u>		<u>13,720</u>
Total assets less current liabilities			<u>31,733</u>		<u>29,038</u>
Creditors: amounts falling due after more than one year	21		(1,400)		(1,400)
Provisions for liabilities					
Deferred tax	24	(499)		(593)	
			<u>(499)</u>		<u>(593)</u>
Net assets			<u><u>29,834</u></u>		<u><u>27,045</u></u>
Capital and reserves					
Called up share capital	25		377		377
Share premium account			474		474
Revaluation reserve			3,141		3,066
Profit and loss account			25,842		23,128
			<u><u>29,834</u></u>		<u><u>27,045</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 24 MAY 2017



A J V Shepherd
Director

The notes on pages 19 to 49 form part of these financial statements.

Alderley plc

Company Statement of Financial Position As at 30 September 2016

	Note	£000	2016 £000	£000	2015 £000
Fixed assets					
Tangible assets	15		3,759		3,976
Investments	16		5,587		6,087
			<u>9,346</u>		<u>10,063</u>
Current assets					
Debtors: amounts falling due within one year	18	6,605		5,746	
Cash at bank and in hand	19	3,304		2,253	
		<u>9,909</u>		<u>7,999</u>	
Creditors: amounts falling due within one year	20	(1,755)		(1,942)	
Net current assets			<u>8,154</u>		<u>6,057</u>
Total assets less current liabilities			<u>17,500</u>		<u>16,120</u>
Creditors: amounts falling due after more than one year	21		(1,000)		(1,000)
Net assets			<u><u>16,500</u></u>		<u><u>15,120</u></u>
Capital and reserves					
Called up share capital	25		377		377
Share premium account			474		474
Revaluation reserve			149		159
Profit and loss account			15,500		14,110
Shareholders' funds			<u><u>16,500</u></u>		<u><u>15,120</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 24 MAY 2017

A J V Shepherd
Director



The notes on pages 19 to 49 form part of these financial statements.

Alderley plc

Consolidated Statement of Changes in Equity For the Year Ended 30 September 2016

	Called up share capital	Share premium account	Revaluation reserve	Profit and loss account	Total equity
	£000	£000	£000	£000	£000
At 1 October 2015	377	474	3,066	23,128	27,045
Comprehensive income for the year					
Profit for the year	-	-	-	2,136	2,136
Foreign currency retranslation	-	-	-	1,141	1,141
Transfer between reserves	-	-	(10)	10	-
Revaluation of tangible fixed assets (deferred tax rate change)	-	-	85	-	85
Other comprehensive income for the year	-	-	75	1,151	1,226
Total comprehensive income for the year	-	-	75	3,287	3,362
Dividends: Equity capital	-	-	-	(573)	(573)
Total transactions with owners	-	-	-	(573)	(573)
At 30 September 2016	377	474	3,141	25,842	29,834

The notes on pages 19 to 49 form part of these financial statements

Alderley plc

Consolidated Statement of Changes in Equity For the Year Ended 30 September 2015

	Called up share capital	Share premium account	Revaluation reserve	Profit and loss account	Total equity
	£000	£000	£000	£000	£000
At 1 October 2014	377	474	3,069	21,433	25,353
Comprehensive income for the year					
Profit for the year	-	-	-	2,181	2,181
Foreign currency retranslation	-	-	-	537	537
Transfer between reserves	-	-	(10)	10	-
Revaluation of tangible fixed assets	-	-	7	-	7
Other comprehensive income for the year	-	-	(3)	547	544
Total comprehensive income for the year	-	-	(3)	2,728	2,725
Dividends: Equity capital	-	-	-	(1,033)	(1,033)
Total transactions with owners	-	-	-	(1,033)	(1,033)
At 30 September 2015	377	474	3,066	23,128	27,045

The notes on pages 19 to 49 form part of these financial statements

Alderley plc

Company Statement of Changes in Equity For the Year Ended 30 September 2016

	Called up share capital	Share premium account	Revaluation reserve	Profit and loss account	Total equity
	£000	£000	£000	£000	£000
At 1 October 2015	377	474	159	14,110	15,120
Comprehensive income for the year					
Profit for the year	-	-	-	2,041	2,041
Foreign currency retranslation	-	-	-	(88)	(88)
Transfer between reserves	-	-	(10)	10	-
Other comprehensive income for the year	-	-	(10)	(78)	(88)
Total comprehensive income for the year	-	-	(10)	1,963	1,953
Contributions by and distributions to owners					
Dividends: Equity capital	-	-	-	(573)	(573)
Total transactions with owners	-	-	-	(573)	(573)
At 30 September 2016	377	474	149	15,500	16,500

The notes on pages 19 to 49 form part of these financial statements.

Alderley plc

Company Statement of Changes in Equity For the Year Ended 30 September 2015

	Called up share capital	Share premium account	Revaluation reserve	Profit and loss account	Total equity
	£000	£000	£000	£000	£000
At 1 October 2014	377	474	361	12,058	13,270
Comprehensive income for the year					
Profit for the year	-	-	-	3,109	3,109
Foreign currency retranslation	-	-	-	(34)	(34)
Transfer between reserves	-	-	(10)	10	-
Revaluation of tangible fixed assets	-	-	(192)	-	(192)
Other comprehensive income for the year	-	-	(202)	(24)	(226)
Total comprehensive income for the year	-	-	(202)	3,085	2,883
Contributions by and distributions to owners					
Dividends: Equity capital	-	-	-	(1,033)	(1,033)
Total transactions with owners	-	-	-	(1,033)	(1,033)
At 30 September 2015	377	474	159	14,110	15,120

The notes on pages 19 to 49 form part of these financial statements.

Alderley plc

Consolidated Statement of Cash Flows For the Year Ended 30 September 2016

	2016 £000	2015 £000
Cash flows from operating activities		
Profit for the financial year	2,136	2,181
Adjustments for:		
Amortisation of intangible assets	172	306
Depreciation of tangible assets	710	606
Loss on disposal of tangible assets	1	1
Revaluation of property below cost	329	-
Change in fair value of foreign currency derivative contracts	494	(118)
Net interest (receivable) / payable	36	24
Foreign exchange	(1,021)	(424)
Taxation expense	132	450
(Increase)/decrease in stocks	(33)	132
(Increase)/decrease in debtors	(8,858)	5,396
Increase/(decrease) in creditors	(322)	(3,479)
Cash from operations	(6,224)	5,075
Interest paid	(40)	(29)
Tax paid	(255)	(141)
Net cash (used in) / generated from operating activities	(6,519)	4,905
Cash flows from investing activities		
Purchase of tangible fixed assets	(944)	(2,668)
Sale of tangible fixed assets	7	6
Interest received	4	5
Net cash from investing activities	(933)	(2,657)
Cash flows from financing activities		
Dividends paid	(573)	(1,033)
Net cash used in financing activities	(573)	(1,033)
Net (decrease)/increase in cash and cash equivalents	(8,025)	1,215
Cash and cash equivalents at beginning of year	8,725	7,149
Foreign exchange gains and losses on retranslation of cash	531	361
Cash and cash equivalents at the end of year	1,231	8,725
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	1,231	8,725
	1,231	8,725

Alderley plc

Notes to the Financial Statements For the Year Ended 30 September 2016

1. General information

Alderley plc is a public limited company incorporated in England and Wales under the Companies Act 2006. The address of the registered office is given on the group information page and the nature of the group's operations and its principal activities are set out in the group strategic report.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and derivatives and in accordance with FRS 102, the Financial Reporting Standard in the UK and the Republic of Ireland and the Companies Act 2006. Information on the impact of first-time adoption of FRS 102 is given in note 31.

Parent company disclosure exemptions

In preparing the separate financial statements of the parent company, advantage has been taken of the following disclosure exemptions available in FRS 102:

- No cash flow statement has been presented for the parent company;
- Disclosures in respect of the parent company's financial instruments have not been presented as equivalent disclosures have been provided in respect of the group as a whole;
- No disclosure has been given for the aggregate remuneration of the key management personnel of the parent company as their remuneration is included in the totals for the group.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires group management to exercise judgement in applying the company's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Basis of consolidation

The consolidated financial statements present the results of the group and its subsidiaries ("the group") as if they form a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the statement of financial position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated statement of comprehensive income from the date on which control is obtained. They are deconsolidated from the date control ceases.

In accordance with the transitional exemption available in FRS 102, the group has chosen not to retrospectively apply the standard to business combinations that occurred before the date of transition to FRS 102, being 1 October 2014.

2.3 Going concern

The directors of the company have prepared consolidated trading projections through to the period ending May 2018 which forecast continuing profitability and sufficient cash generation for the group. These forecasts take account of certain sensitivities, including possible changes in trading performance, and show that the group will be able to successfully operate at and within the level of the facilities currently extended by the bank. Details of the security related to the existing borrowing facilities are set out in notes 20 and 22. Consequently the directors have prepared these financial statements on a going concern basis.

Alderley plc

Notes to the Financial Statements For the Year Ended 30 September 2016

2. Accounting policies (continued)

2.4 Revenue

Revenue is recognised to the extent that the group obtains the right to consideration in exchange for its performance. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, VAT and other sales taxes or duty. The following criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on despatch of the goods.

Long term contracts

Turnover on long term contracts is recognised by reference to the stage of completion. The stage of completion of a contract is determined by reference to the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs.

Grants and subsidies

Grants and subsidies received have been included as revenue within turnover and are accounted for on an accruals basis.

2.5 Intangible assets

Goodwill

Goodwill represents the difference between amounts paid on the cost of a business combination and the acquirer's interest in the fair value of the group's share of its identifiable assets and liabilities of the acquiree at the date of acquisition. Subsequent to initial recognition, goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight line basis to the consolidated statement of comprehensive income over its useful economic life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

Other intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed five years. The group's other intangible assets refer to development costs and are fully amortised.

Alderley plc

Notes to the Financial Statements For the Year Ended 30 September 2016

2. Accounting policies (continued)

2.6 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives.

Depreciation is provided on the following basis:

Freehold buildings	- 50 years straight line
Leasehold property	- over the period of the lease
Plant, machinery and equipment	- 2% per month reducing balance
Motor vehicles	- 2% per month reducing balance
Fixtures and fittings	- 2% per month reducing balance
Computer equipment	- 25% per annum straight line

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the consolidated statement of comprehensive income.

2.7 Revaluation of tangible fixed assets

Freehold and long leasehold properties are carried at fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are undertaken with sufficient regularity to ensure the carrying amount does not differ materially from that which would be determined using fair value at the statement of financial position date.

Valuations are performed every three years by external valuers or more frequently if there are indications the values have materially changed. In the intervening periods, director valuations are used having assessed market data.

Revaluation gains and losses are recognised in the consolidated statement of comprehensive income unless losses exceed the previously recognised gains or reflect a clear consumption of economic benefits, in which case the excess losses are recognised in profit or loss.

2.8 Investment property

The company's own statement of financial position includes property leased to other group undertakings. FRS102 requires this property to be classified as investment property in the company's own financial statements. Investment property is carried at fair value determined annually and derived from the current market rents and investment property yields for comparable real estate, adjusted if necessary for any difference in the nature, location or condition of the specific asset. Valuations are performed every three years by external valuers or more frequently if there are indications the values have materially changed. In the intervening periods, director valuations are used having assessed market data. No depreciation is provided. Changes in fair value are recognised in profit or loss.

Alderley plc

Notes to the Financial Statements For the Year Ended 30 September 2016

2. Accounting policies (continued)

2.9 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment. Where merger relief is applicable, the cost of the investment in a subsidiary undertaking is measured at the nominal value of the shares issued together with the fair value of any additional consideration paid.

2.10 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a weighted average basis. Work in progress and finished goods include labour and attributable overheads.

At each reporting date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

2.11 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.12 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the consolidated statement of cash flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the company's cash management.

Alderley plc

Notes to the Financial Statements For the Year Ended 30 September 2016

2. Accounting policies (continued)

2.13 Financial instruments

The group enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares. The accounting for basic financial instruments is set out below. The accounting for derivative contracts is set out in 2.15,

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the statement of comprehensive income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the group would receive for the asset if it were to be sold at the reporting date.

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

2.14 Creditors

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

Alderley plc

Notes to the Financial Statements For the Year Ended 30 September 2016

2. Accounting policies (continued)

2.15 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP. The functional currency of trading subsidiaries is GBP except for: Alderley FZE which has a functional currency of AED (Arab Emirate Dirham) or – in respect of its Saudi branch – SAR (Saudi Arabian Riyal); and Alderley Asia Pacific Pte Limited which has a functional currency of SGD (Singapore Dollar).

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions. At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of comprehensive income within profit except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the consolidated statement of comprehensive income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the consolidated statement of comprehensive income within profit are recorded in 'other operating income' or 'other operating charges'.

On consolidation, the results of overseas operations are translated into Sterling at rates approximating those ruling when the transactions took place. All assets and liabilities of overseas operations are translated at the rate ruling at the reporting date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised in other comprehensive income. Foreign currency differences on inter-company balances not expected to be repaid within the foreseeable future which qualify as net investments in subsidiaries are recorded in other comprehensive income.

Derivative contracts – forward contracts for foreign currency

The group enters into forward contracts to buy and sell foreign currency. These derivatives are measured at fair value at each reporting date, and recognised as assets or liabilities, as applicable, in the statement of financial position. Movements in the fair value of the instruments are taken to profit and loss and recorded within 'other operating income' or 'other operating charges'.

2.16 Finance costs

Finance costs are charged to the consolidated statement of comprehensive income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.17 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

Alderley plc

Notes to the Financial Statements For the Year Ended 30 September 2016

2. Accounting policies (continued)

2.18 Operating leases: the group as lessee

Rentals paid under operating leases are charged to the statement of comprehensive income on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the period until the date the rent is expected to be adjusted to the prevailing market rate.

2.19 Pensions

Defined contribution pension plan

The group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the group pays fixed contributions into a separate entity. Once the contributions have been paid the group has no further payments obligations.

The contributions are recognised as an expense in the statement of comprehensive income when they fall due. Amounts not paid are shown in accruals as a liability in the statement of financial position. The assets of the plan are held separately from the group in independently administered funds.

2.20 Holiday pay accrual

A liability is recognised to the extent of any unused holiday pay entitlement which is accrued at the statement of financial position date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the statement of financial position date.

2.21 Interest income

Interest income is recognised in the consolidated statement of comprehensive income using the effective interest method.

2.22 Borrowing costs

All borrowing costs are recognised in the statement of comprehensive income in the year in which they are incurred.

Alderley plc

Notes to the Financial Statements For the Year Ended 30 September 2016

2. Accounting policies (continued)

2.23 Amounts recoverable on contracts

Revenue on long-term contracts is recognised by reference to the stage of completion. Revenue recognised in advance of being invoiced is held on the statement of financial position as amounts recoverable on contracts. The stage of completion of a contract is determined by reference to the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs. An estimate of the profit attributable to work completed is recognised once the outcome of the contract can be assessed with reasonable certainty. The costs on long-term contracts not yet taken to the statement of comprehensive income less related foreseeable losses and payments on account are shown in stocks and long-term contract balances. Costs included on long-term contracts include interest which is specifically attributable to those contracts through contract financing. Where payments are received from customers in advance of services provided the amounts are recorded as payments received on account and included as part of creditors due within one year.

If a contract is assessed to be loss making then the total estimated contract loss is provided for in full as soon as the loss is foreseen.

2.24 Provisions for liabilities

Provisions are made where an event has taken place that gives the group a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the statement of comprehensive income in the year that the group becomes aware of the obligation, and are measured at the best estimate at the statement of financial position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the statement of financial position.

2.25 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the statement of comprehensive income, except that a change attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company and the group operate and generate income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the statement of financial position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where they relate to timing differences in respect of interests in subsidiaries, associates,

Alderley plc

Notes to the Financial Statements For the Year Ended 30 September 2016

2. Accounting policies (continued)

branches and joint ventures and the group can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

2.25 Current and deferred taxation (continued)

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

2.26 Research and development

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred. Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured. The capitalised development costs are subsequently amortised on a straight line basis over their useful economic lives, which range from 3 to 6 years.

If it is not possible to distinguish between the research phase and the development phase of an internal project the expenditure is treated as if it were all incurred in the research phase only.

Alderley plc

Notes to the Financial Statements For the Year Ended 30 September 2016

3. Judgements in applying accounting policies and key sources of estimation uncertainty

In preparing these financial statements, the directors have made the following judgements:

- Determined whether there are indicators of impairment of the group's tangible and intangible assets, including goodwill. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset. Where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit. No indicators of impairment were identified.

Other key sources of estimation uncertainty

Long term contracts and revenue recognition (see note 4 and 18)

- As described in note 2, revenue on long term contracts is recognised by reference to the stage of completion. The stage of completion of a contract is determined by reference to the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs. Therefore management make estimates regarding costs to contract completion, taking into consideration factors such as the original contract plan, agreed changes to the original plan, performance and costs to date versus previous expectation and experience of similar contracts and customers. Forecast revenues are based on contractual terms and approved variation orders, together with variation orders when there is sufficient certainty of approval based on work performance, contractual entitlement and the customer relationship. Where contracts are estimated to incur losses and are onerous in nature, estimates of the total loss are made and fully recorded.

Estimates and judgement has been applied in assessing the recoverability of certain overdue trade receivables. In concluding no material impairment was required the group considered past year end receipts and correspondence with the relevant parties.

Recognised contract receivables are treated as impaired, and a provision recorded against the receivable, where there is objective evidence of impairment. Factors taken into consideration when measuring the provision for impairment include: any correspondence with customers and their advisors regarding outstanding debts; management's experience of similar customers and contracts; and any issues relating to the extraction of funds from specific countries or regions.

Tangible fixed assets (see note 15)

- Tangible fixed assets, other than investment properties, are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.
- Investment properties and properties held for use in the business are valued annually. The assets were valued externally by professional values at 30 September 2015 using analysis of market rental values and yields, together with comparable sale data and market factors. At 30 September 2016, the property held in Great Yarmouth was subject to external valuation. The remaining properties were assessed by the Board and valuations determined considering market trends, property specific factors and liaising with market specialists. There is an inevitable degree of judgement involved in that each property is unique and value can only ultimately be reliably tested in the market itself.

Alderley plc

Notes to the Financial Statements For the Year Ended 30 September 2016

4. Turnover

An analysis of turnover by class of business is as follows:

	2016 £000	2015 £000
Systems	52,622	59,853
Consultancy	4,922	6,738
Farming	237	218
	<u>57,781</u>	<u>66,809</u>

Analysis of turnover by country of destination:

	2016 £000	2015 £000
United Kingdom	12,507	22,779
Europe	13,764	7,016
Rest of the world	31,510	37,014
	<u>57,781</u>	<u>66,809</u>

5. Operating profit

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

	2016 £000	2015 £000
Amortisation of development costs	-	135
Amortisation of goodwill	172	171
Depreciation of owned fixed assets	710	606
Loss on disposal of fixed assets	1	1
Revaluation below cost	329	-
Operating lease costs - land and buildings	557	693
Operating lease costs - other	156	218
Change in fair value of foreign currency derivative contracts	494	(118)
Net profit on foreign currency translation	(1,021)	(424)
Defined contribution pension cost	<u>534</u>	<u>487</u>

Alderley plc

Notes to the Financial Statements For the Year Ended 30 September 2016

6. Auditor's remuneration

	2016 £000	2015 £000
Fees payable to the group's auditor and its associates for the audit of the group's annual accounts	100	120
Fees payable to the group's auditor and its associates in respect of:		
Taxation services – tax compliance	25	39
Other services supplied pursuant to such legislation	4	5
Other services relating to taxation	108	12
	<u>137</u>	<u>56</u>

In respect of 2016 the above fees were payable to BDO LLP.

The above amounts do not include audit fees of £3,000 (2015 - £3,000) paid to Abdullah M. Al Basri and Co., Certified Public Accountant in connection with the local statutory audit of the Saudi Branch of Alderley plc for the year ended 30 September 2016.

7. Employees

Staff costs, including directors' remuneration, were as follows:

	2016 £000	2015 £000
Wages and salaries	17,634	17,898
Social security costs	1,289	1,371
Cost of defined contribution scheme	534	487
	<u>19,457</u>	<u>19,756</u>

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

	2016 No.	2015 No.
Administration and management	93	97
Sales and production	317	347
	<u>410</u>	<u>444</u>

Alderley plc

Notes to the Financial Statements For the Year Ended 30 September 2016

8. Directors' remuneration

The directors' aggregate emoluments in respect of qualifying services were:

	2016 £000	2015 £000
Aggregate emoluments	525	569
Value of company pension contributions to money purchase schemes	95	64
	<u>620</u>	<u>633</u>

Emoluments of highest paid director:

Aggregate emoluments	149	159
Value of company pension contributions to money purchase schemes	56	17
	<u>205</u>	<u>176</u>

The number of directors who accrued benefits under company pension schemes was 3 (2015 - 3)

9. Interest receivable

	2016 £000	2015 £000
Bank interest receivable	<u>4</u>	<u>5</u>

10. Interest payable and similar charges

	2016 £000	2015 £000
Interest payable on bank borrowings	34	23
Other similar charges payable	6	6
	<u>40</u>	<u>29</u>

Alderley plc

Notes to the Financial Statements For the Year Ended 30 September 2016

11. Taxation

	2016 £000	2015 £000
Corporation tax		
UK corporation tax based on the results for the year	110	206
Adjustments in respect of previous periods	(410)	(52)
Double taxation relief	-	(27)
	<u>(300)</u>	<u>127</u>
Foreign tax		
Foreign tax suffered	425	168
Adjustments in respect of prior year foreign tax	-	(10)
	<u>425</u>	<u>158</u>
Total current tax	<u>125</u>	<u>285</u>
Origination and reversal of timing differences	136	138
Adjustments in respect of prior year deferred tax	(129)	27
	<u>7</u>	<u>165</u>
Total deferred tax		
	<u>7</u>	<u>165</u>
Taxation on profit on ordinary activities	<u><u>132</u></u>	<u><u>450</u></u>

Factors affecting tax charge for the year

The tax assessed for the year is different to the standard rate of corporation tax in the UK of 20.0% (2015 - 20.5%). The differences are explained below:

	2016 £000	2015 £000
Profit on ordinary activities before tax	<u>2,268</u>	<u>2,631</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20.0% (2015 - 20.5%)	453	539
Effects of:		
Expenses not deductible for tax purposes	176	187
Non-taxable income	-	(249)
Higher rates on foreign income	160	104
Different tax rates for foreign subsidiaries	(198)	(130)
Adjustments in respect of prior years	(410)	(52)
Adjustments in respect of prior years' foreign tax	-	(10)
Tax losses generated but deferred tax impact not recognised	-	37
Deferred tax – impact of changes in tax rates	(56)	-
Other differences	7	24
Total tax charge for the year	<u><u>132</u></u>	<u><u>450</u></u>

Alderley plc

Notes to the Financial Statements For the Year Ended 30 September 2016

12. Dividends

Amounts recognised as distributions to shareholders in the year:

	2016 £000	2015 £000
Dividend for the year ended 30 September 2016 of 152.0p per ordinary share	573	-
Dividend for the year ended 30 September 2015 of 84.0p per ordinary share	-	317
Dividend for the year ended 30 September 2015 of 132.0p per ordinary share	-	498
Dividend for the year ended 30 September 2015 of 58.0p per ordinary share	-	218
	<u>573</u>	<u>1,033</u>

13. Parent company profit for the year

The company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own statement of comprehensive income in these financial statements. The profit after tax of the parent company for the year was £2,041,000 (2015 - £3,109,000).

14. Intangible assets

Group

	Development £000	Goodwill £000	Total £000
Cost			
At 1 October 2015	675	3,302	3,977
At 30 September 2016	<u>675</u>	<u>3,302</u>	<u>3,977</u>
Amortisation			
At 1 October 2015	675	1,760	2,435
Charge for the year	-	172	172
At 30 September 2016	<u>675</u>	<u>1,932</u>	<u>2,607</u>
Net book value			
At 30 September 2016	<u>-</u>	<u>1,370</u>	<u>1,370</u>
At 30 September 2015	<u>-</u>	<u>1,542</u>	<u>1,542</u>

Development costs have been capitalised in accordance with FRS 102. The costs related to the development of FM2P.net which is software associated with the management of flow measurement for the oil and gas sector. In October 2010 this new software was launched for commercial retail, from which date the related costs were amortised over a period of five years.

Goodwill relates to the acquisition of Specialised Management Services Limited in 2004 and Kelton Engineering Limited (acquired in stages and becoming a subsidiary in 2006). Goodwill is being amortised over 20 years from acquisition with 8 and 9 years of useful economic life remaining for Specialised Management Services Limited and Kelton Engineering Limited respectively and no indicators of impairment were identified given the performance of the operations.

Alderley plc

Notes to the Financial Statements
For the Year Ended 30 September 2016

15. Tangible fixed assets

Group

	Freehold property £000	Leasehold property £000	Plant and machinery £000	Fixtures and fittings £000	Other assets £000	Total £000
Cost or valuation						
At 1 October 2015	10,157	2,830	2,358	334	2,161	17,840
Additions	540	6	132	98	168	944
Disposals	-	(7)	(20)	(32)	(29)	(88)
Revaluation	(368)	-	-	-	-	(368)
Exchange adjustments	-	322	81	23	82	508
At 30 September 2016	<u>10,329</u>	<u>3,151</u>	<u>2,551</u>	<u>423</u>	<u>2,382</u>	<u>18,836</u>
Depreciation						
At 1 October 2015	-	583	1,800	225	1,456	4,064
Charge for the year	102	130	122	41	315	710
Disposals	-	(4)	(18)	(32)	(26)	(80)
Revaluation	(39)	-	-	-	-	(39)
Exchange adjustments	-	83	58	13	58	212
At 30 September 2016	<u>63</u>	<u>792</u>	<u>1,962</u>	<u>247</u>	<u>1,803</u>	<u>4,867</u>
Net book value						
At 30 September 2016	<u>10,266</u>	<u>2,359</u>	<u>589</u>	<u>176</u>	<u>579</u>	<u>13,969</u>
At 30 September 2015	<u>10,157</u>	<u>2,247</u>	<u>558</u>	<u>109</u>	<u>705</u>	<u>13,776</u>

Alderley plc

Notes to the Financial Statements For the Year Ended 30 September 2016

15. Tangible fixed assets (continued)

Freehold property comprising farmland and related accommodation was valued at fair value as at 30 September 2015, for the purposes of the financial statements, by Savills (UK) Limited incorporating Smiths Gore who are members of the Royal Institute of Chartered Surveyors at £6,070,000.

Freehold property comprising factory and office premises in Wickwar was valued at fair value as at 30 September 2015, for the purposes of the financial statements, by BNP Paribas Real Estate Advisory & Property Management UK Limited who are members of the Royal Institute of Chartered Surveyors at £1,960,000.

Long leasehold residential property owned by Alderley plc and utilised by the business was valued at fair value as at 30 September 2015, for the purposes of the financial statements, by Savills (UK) Limited who are members of the Royal Institute of Chartered Surveyors at £775,000.

The directors have concluded there has been no material change to the above valuations in their assessment of the properties' fair values as at 30 September 2016 as detailed at note 3.

Freehold property comprising factory and office premises in Great Yarmouth was valued at fair value as at 30 September 2016, for the purposes of the financial statements, by Roche Chartered Surveyors who are members of the Royal Institute of Chartered Surveyors at £2,300,000, resulting in a revaluation below cost and a charge of £329,000 to profit for the year.

The value of freehold land that is not depreciated is £5,845,000 (2015 - £5,845,000).

There is no material difference between depreciation on a revalued or historic cost net book value of freehold property.

In respect of freehold property categories stated at valuation, the comparable historical cost and depreciation values are as follows:

	2016 £000	2015 £000
Net book value		
At 30 September	10,266	10,157
Historical cost:		
At 30 September	8,485	7,945
Depreciation / impairment		
At 1 October	734	680
Charge for year	422	54
At 30 September	1,156	734
Net historical book value		
At 30 September	7,329	7,211
At 1 October	7,211	5,072

Alderley plc

Notes to the Financial Statements For the Year Ended 30 September 2016

15. Tangible fixed assets (continued)

Company

	Investment property £000	Freehold property £000	Leasehold property £000	Plant and machinery £000	Motor vehicles £000	Fixtures and fittings £000	IT equipment £000	Total £000
Cost or valuation								
At 1 October 2015	1,396	1,364	775	82	8	24	960	4,609
Additions	-	-	-	-	-	-	14	14
At 30 September 2016	1,396	1,364	775	82	8	24	974	4,623
Depreciation								
At 1 October 2015	-	-	-	82	1	12	538	633
Charge for the year	31	23	17	-	2	3	155	231
At 30 September 2016	31	23	17	82	3	15	693	864
Net book value								
At 30 September 2016	1,365	1,341	758	-	5	9	281	3,759
At 30 September 2015	1,396	1,364	775	-	7	12	422	3,976

Alderley plc

Notes to the Financial Statements For the Year Ended 30 September 2016

15. Tangible fixed assets (continued)

If the land and buildings had not been included at valuation they would have been included under the historical cost convention as follows:

	2016 £000	2015 £000
Net book value		
At 30 September	2,706	2,760
Historical cost		
At 30 September	3,231	3,231
Depreciation		
At 1 October	617	571
Charge for year	45	46
	662	617
At 30 September	2,569	2,614
Net historical book value		
At 1 October	2,614	2,643

16. Fixed asset investments

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Country of incorporation	Class of shares	Holding	Principal activity
Held by the company:				
Alderley Systems Limited	England (see note A over page)	Ordinary shares	100 %	Metering systems
Alderley Farms Limited	England (A)	Ordinary shares	100 %	Farming
Alderley FZE	United Arab Emirates (C)	Ordinary shares	100 %	Metering systems
Specialised Management Services Limited	England (A)	Ordinary shares	100 %	Wellhead controls and hydraulic maintenance
Kelton Engineering Limited	Scotland (B)	Ordinary shares	100 %	Metering consultancy

Alderley plc

Notes to the Financial Statements For the Year Ended 30 September 2016

16. Fixed asset investments (continued)

Alderley Process Technologies Limited	England (A)	Ordinary shares	100 % Produced water treatment
Alderley Asia Pacific Pte Limited	Singapore (D)	Ordinary shares	100 % Metering systems
Alderley Neftegas LLC	Russia (E)	Ordinary shares	100 % Dormant
Albion Holdings Limited	England (A)	Ordinary shares	100 % Dormant
Alderley Environmental Limited	England (A)	Ordinary shares	100 % Dormant
Alderley Metering Systems Limited	England (A)	Ordinary shares	100 % Dormant
Jordan Kent Metering Systems Limited	England (A)	Ordinary shares	100 % Dormant
Held by the group:			
Alderley Controls Limited	England (A)	Ordinary shares	100 % Dormant
Alderley International Limited	England (A)	Ordinary shares	100 % Dormant
C&M Hydraulics Limited	England (A)	Ordinary shares	100 % Dormant
Other Investments			
Rigestate Limited	England (F)	Ordinary shares	30 % Property

Note – the registered office addresses and places of business for the above undertakings are as follows:

- A) Alderley House, Arnolds Field Estate, The Downs, Wickwar, Wotton-under-Edge, Gloucestershire, GL12 8JD.
- B) The Mackenzie Building, 168 Skene Street, Aberdeen, AB10 1PE.
- C) PO Box 17015, Jebel Ali Free Zone, Dubai.
- D) 60 Paya Lebar Road, Paya Lebar Square, Singapore 409051.
- E) Russian Federation, 119049, Moscow, ul. Krimsky val, h.3, build. 2
- F) Rigestate Industrial Estate, Station Road, Berkeley, GL13 9RL

The results of all the entities above except Rigestate Limited are included within the consolidated financial statements. All have the same accounting period as the parent company, with the exception of Alderley Neftegas LLC. In accordance with Russian statute Alderley Neftegas LLC has a 31 December year end. The consolidated accounts include the results of Alderley Neftegas LLC for the year ended 30 September 2016.

The results and balances of Rigestate Limited are not included in the consolidated financial statements on a line by line basis because Alderley plc does not exert significant influence over the company's activities. The investment in Rigestate Limited is therefore shown at cost in the Consolidated Statement of Financial Position. Rigestate Limited is immaterial to the financial statements.

Alderley plc

Notes to the Financial Statements For the Year Ended 30 September 2016

16. Fixed asset investments (continued)

Company

	Investments in subsidiary companies £000
Cost or valuation	
At 1 October 2015	6,454
Additions	-
At 30 September 2016	<u>6,454</u>
Impairment	
At 1 October 2015	367
Charge for the year	500
At 30 September 2016	<u>867</u>
Net book value	
At 30 September 2016	<u><u>5,587</u></u>
At 30 September 2015	<u><u>6,087</u></u>

The impairment refers to the Company's investment in Alderley Process Technologies Limited and follows the subsidiary's loss for the year and the decision to transfer future orders, and certain assets and liabilities, to Alderley Systems Limited from 1 December 2016.

17. Stocks

	Group 2016 £000	Group 2015 £000	Company 2016 £000	Company 2015 £000
Raw materials and consumables	341	431	-	-
Work in progress (goods to be sold)	216	93	-	-
	<u>557</u>	<u>524</u>	<u>-</u>	<u>-</u>

There is no material difference between the carrying value of stocks and their replacement cost.

Alderley plc

Notes to the Financial Statements For the Year Ended 30 September 2016

18. Debtors

	Group 2016 £000	Group 2015 £000	Company 2016 £000	Company 2015 £000
Trade debtors	16,357	12,131	-	-
Amounts owed by group undertakings	-	-	6,361	5,396
Other debtors	122	53	-	18
Prepayments and accrued income	5,064	2,800	60	53
Amounts recoverable on long term contracts	12,226	8,504	-	-
Deferred taxation	310	326	184	262
Corporation tax	358	229	-	17
Derivative financial instruments	-	88	-	-
	<u>34,437</u>	<u>24,131</u>	<u>6,605</u>	<u>5,746</u>

19. Cash and cash equivalents

	Group 2016 £000	Group 2015 £000	Company 2016 £000	Company 2015 £000
Cash at bank and in hand	<u>1,231</u>	<u>8,725</u>	<u>3,304</u>	<u>2,253</u>

Alderley plc

Notes to the Financial Statements For the Year Ended 30 September 2016

20. Creditors: Amounts falling due within one year

	Group 2016 £000	Group 2015 £000	Company 2016 £000	Company 2015 £000
Payments received on account	2,699	1,955	-	-
Trade creditors	5,793	8,568	182	134
Amounts owed to group undertakings	-	-	99	228
Corporation tax	302	304	102	65
Taxation and social security	428	561	76	74
Directors' loan accounts	301	372	301	372
Other creditors	198	82	18	3
Accruals and deferred income	9,653	7,767	977	1,066
Derivative financial instruments	457	51	-	-
	<u>19,831</u>	<u>19,660</u>	<u>1,755</u>	<u>1,942</u>

Bank overdrafts in the UK are secured by a fixed and floating charge on the assets of the group in favour of Lloyds Bank plc. No amounts were drawn at 30 September 2016 or 2015.

The overdrafts and other facilities in the UK held with Lloyds Bank plc are secured by:

- An omnibus guarantee and set-off agreement covering Alderley Farms Limited, Alderley plc, Alderley Systems Limited, Alderley FZE, C&M Hydraulics Limited, Specialised Management Services Limited, Alderley Process Technologies Limited, Kelton Engineering Limited and Alderley Asia Pacific Pte Limited.
- Unlimited debentures from Alderley plc, Specialised Management Services Limited, Alderley Systems Limited, Alderley Farms Limited, Kelton Engineering Limited, Alderley Process Technologies Limited and C&M Hydraulics Limited.
- A commercial mortgage and unlimited all monies guarantee from Alderley FZE.
- A first legal charge over Alderley Farms Limited's freehold land and buildings with a deed of priority given in favour of The Agricultural Mortgage Corporation plc.
- A first legal charge over Alderley plc's freehold land and buildings.

21. Creditors: Amounts falling due after more than one year

	Group 2016 £000	Group 2015 £000	Company 2016 £000	Company 2015 £000
Bank loans	1,400	1,400	-	-
Amounts owed to group undertakings	-	-	1,000	1,000
	<u>1,400</u>	<u>1,400</u>	<u>1,000</u>	<u>1,000</u>

Alderley plc

Notes to the Financial Statements For the Year Ended 30 September 2016

22. Borrowings

Repayable bank loans and overdrafts included within creditors are analysed as follows:

2016	2015
£000	£000

Amounts repayable:

In more than five years	<u>1,400</u>	<u>1,400</u>
-------------------------	---------------------	---------------------

Bank loans repayable in more than five years relate to a mortgage that Alderley Farms Limited obtained from The Agricultural Mortgage Corporation plc (AMC) on 28 February 2006. The term of this mortgage is thirty years, and the interest rate is 1.0% per annum over AMC's variable base rate. The interest is payable quarterly, and the principal amount is payable either in quarterly instalments or in a single amount on the final repayment date.

The AMC mortgage is secured by way of a legal mortgage on the freehold land and property owned by Alderley Farms Limited at Tresham, at Park Farm, Alderley and at Day House Farm, Hillesley.

There is no long term borrowing related to Alderley plc as an individual company, other than the £1,000,000 loan (2015: £1,000,000) owed to group undertakings and disclosed in note 21.

23. Financial instruments

	Group 2016 £000	Group 2015 £000	Company 2016 £000	Company 2015 £000
Financial assets				
Financial assets that are debt instruments measured at amortised cost	34,421	31,732	9,665	7,667
Derivative financial instruments measured at fair value through profit or loss	<u>-</u>	<u>88</u>	<u>-</u>	<u>-</u>
Financial liabilities				
Financial liabilities measured at amortised cost	(20,372)	(20,946)	(2,755)	(2,942)
Derivative financial instruments measured at fair value through profit or loss	<u>(457)</u>	<u>(51)</u>	<u>-</u>	<u>-</u>

Financial assets measured at amortised cost comprise trade and other debtors, amounts owed by group undertakings, amounts recoverable on contracts, and cash at bank and in hand.

Financial liabilities measured at amortised cost comprise trade and other creditors, payments received on account, amounts owed to group undertakings, bank loans, directors' loan accounts, and accruals.

The valuation of derivative instruments is based on valuations provided by the counterparty to each instrument.

Alderley plc

Notes to the Financial Statements For the Year Ended 30 September 2016

24. Deferred taxation asset / (liability)

Group

	2016 £000	2015 £000
At beginning of year	(267)	(102)
Credited / (charged) to profit or loss	(7)	(165)
Credited to other comprehensive income (effect of tax rate change)	85	-
At end of year	(189)	(267)

Company

	2016 £000	2015 £000
At beginning of year	262	175
Credited / (charged) to profit or loss	(78)	87
At end of year	184	262

The deferred tax asset / (liability) is made up as follows:

	Group 2016 £000	Group 2015 £000	Company 2016 £000	Company 2015 £000
Capital allowances	31	(32)	90	62
Tax losses carried forward	181	129	93	126
Chargeable gains	(417)	(481)	-	-
Short term timing differences	16	117	1	74
	(189)	(267)	184	262

Classification:

Asset - due within one year	310	326	184	262
Liability	(499)	(593)	-	-
	(189)	(267)	184	262

25. Share capital

	2016 £000	2015 £000
Allotted, called up and fully paid		
377,006 (2015 - 377,006) Ordinary shares of £1 each	377	377

Alderley plc

Notes to the Financial Statements For the Year Ended 30 September 2016

26. Capital commitments

At 30 September 2016 the Group and Company had capital commitments as follows:

	Group	Group	Company	Company
	2016	2015	2016	2015
	£000	£000	£000	£000
Contracted for but not provided in these financial statements	<u>128</u>	<u>575</u>	<u>18</u>	<u>-</u>

Included within the Group's prepayments (see note 18) is a balance of £2,354,000 representing an advance towards the purchase of a factory building in Dammam, Saudi Arabia. The purchase was completed in October 2016.

27. Pensions

The group contributes to individual defined contribution pension schemes for certain employees. The assets of the schemes are held separately from those of the group in independently administered funds. The pension cost charge represents contributions payable by the group to the funds and amounted to £534,000 (2015 - £487,000). There were £64,000 outstanding contributions at the year-end (2015 - £73,000).

28. Contingencies

Group

Five (2015 - five) of the company's subsidiaries have given performance bond guarantees, bid bonds and advance payment guarantees totalling £13,331,000 (2015 - £14,643,000).

Company

The company did not enter into bond guarantees, bid bonds or advance payment guarantees (2015 - £Nil).

Bonds become payable if the company does not meet its contractual obligations, at the request of the customer with whom the bond was issued. The company therefore seeks to ensure that such contractual obligations are met and historically no bonds have had to be paid.

Alderley plc

Notes to the Financial Statements For the Year Ended 30 September 2016

29. Commitments under operating leases

At 30 September 2016 the Group and the Company had future minimum lease payments under non-cancellable operating leases as follows:

	Group 2016 £000	Group 2015 £000	Company 2016 £000	Company 2015 £000
Land and buildings:				
Not later than 1 year	467	471	-	-
Later than 1 year and not later than 5 years	313	595	-	-
Later than 5 years	<u>86</u>	<u>73</u>	<u>-</u>	<u>-</u>
Other:				
Not later than 1 year	109	125	23	26
Later than 1 year and not later than 5 years	97	140	12	35
Later than 5 years	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

30. Related party transactions

Key management personnel include all directors and a number of senior managers within Alderley plc who together have authority and responsibility for planning, directing and controlling the activities of the group. The total compensation paid to key management personnel for services provide to the group was £1,078,000 (2015: £1,138,000).

Certain group properties are occupied by directors, or relatives of directors. Other income includes £9,600 (2015: £4,800) in respect of the related rental income.

The directors received dividends in aggregate on the same terms as the other shareholders, of £402,000 (2015 - £724,000).

During the year the company entered into the following transactions with the directors. Expenditure/Drawings includes amounts withdrawn in respect of dividends previously declared and credited to loan accounts.

	2016 Year End Balance £000 (Dr) / Cr	2016 Maximum Balance £000 (Dr) / Cr	2016 Minimum Balance £000 (Dr) / Cr	2016 Dividends Credited £000 (Dr) / Cr	2016 Expenditure /Drawings £000 (Dr) / Cr
Directors	<u>301</u>	<u>504</u>	<u>146</u>	<u>402</u>	<u>(473)</u>
	2015 Year End Balance £000 (Dr) / Cr	2015 Maximum Balance £000 (Dr) / Cr	2015 Minimum Balance £000 (Dr) / Cr	2015 Dividends Credited £000 (Dr) / Cr	2015 Expenditure /Drawings £000 (Dr) / Cr
Directors	<u>372</u>	<u>494</u>	<u>(69)</u>	<u>724</u>	<u>(539)</u>

Alderley plc

Notes to the Financial Statements For the Year Ended 30 September 2016

31. First time adoption of FRS 102

Group

		As previously stated 1 October 2014 £000	Effect of transition 1 October 2014 £000	FRS 102 (as restated) 1 October 2014 £000	As previously stated 30 September 2015 £000	Effect of transition 30 September 2015 £000	FRS 102 (as restated) 30 September 2015 £000
	Note						
Fixed assets		13,396	-	13,396	15,318	-	15,318
Current assets	1,2	37,019	34	37,053	33,268	112	33,380
Creditors: amounts falling due within one year	1,2	(23,053)	(181)	(22,872)	(19,493)	(167)	(19,660)
Net current assets		13,966	(147)	13,819	13,775	(55)	13,720
Total assets less current liabilities		27,362	(147)	27,215	29,093	(55)	29,038
Creditors: amounts falling due after more than one year		(1,400)	-	(1,400)	(1,400)	-	(1,400)
Provisions for liabilities	3	-	(462)	(462)	(95)	(498)	(593)
Net assets		25,962	(609)	25,353	27,598	(553)	27,045
Capital and reserves		25,962	(609)	25,353	27,598	(553)	27,045

Alderley plc

Notes to the Financial Statements For the Year Ended 30 September 2016

31. First time adoption of FRS 102 (continued)

		As previously stated 30 September 2015 £000	Effect of transition 30 September 2015 £000	FRS 102 (as restated) 30 September 2015 £000
	Note			
Turnover		66,809	-	66,809
Other operating income		54	-	54
Raw materials and consumables		(37,666)	-	(37,666)
Staff costs	1	(19,749)	(7)	(19,756)
Depreciation and amortisation		(912)	-	(912)
Other operating charges	2	(5,991)	117	(5,874)
Operating profit		2,545	110	2,655
Interest receivable and similar income		5	-	5
Interest payable and similar charges		(29)	-	(29)
Taxation	1,2	(437)	(13)	(450)
Profit on ordinary activities after taxation and for the financial year		2,084	97	2,181

Explanation of changes to previously reported profit and equity:

- 1 FRS 102 requires the holiday pay be recognised as an accrual or prepayment as appropriate. Under the previous UK GAAP this was not required. This change has been applied retrospectively, leading to the recognition of additional net current liabilities at the date of transition and the year ended 30 September 2015 of £101,000 and £108,000 respectively and therefore an additional expense of £7,000 in 2015. The tax effect is shown separately.
- 2 Under FRS 102, financial derivatives such as foreign exchange contracts are measured at fair value on the statement of financial position with changes in fair value taken to profit and loss unless hedge accounting is applied. This change has been applied retrospectively, leading to the recognition of additional net current assets or liabilities at the date of transition and the year ended 30 September 2015 of £80,000 (liability) and £37,000 (asset) respectively and therefore a gain of £117,000 in 2015. The tax effect is shown separately.
- 3 Under FRS 102, a deferred taxation liability is recognised on unrealised revaluation gains arising on the revaluation of fixed asset properties to their fair values and recorded in other comprehensive income. A deferred taxation liability of £481,000 was recorded at transition and £417,000 at 30 September 2015 in respect of this adjustment.

Alderley plc

Notes to the Financial Statements For the Year Ended 30 September 2016

31. First time adoption of FRS 102 (continued)

Company

		As previously stated 1 October 2014 £000	Effect of transition 1 October 2014 £000	FRS 102 (as restated) 1 October 2014 £000	As previously stated 30 September 2015 £000	Effect of transition 30 September 2015 £000	FRS 102 (as restated) 30 September 2015 £000
	Note						
Fixed assets		8,740	-	8,740	10,063	-	10,063
Current assets	1	8,644	3	8,647	8,002	(3)	7,999
Creditors: amounts falling due within one year	1,2	(3,101)	(16)	(3,117)	(1,920)	(22)	(1,942)
Net current assets		5,543	(13)	5,530	6,082	(25)	6,057
Total assets less current liabilities		14,283	(13)	14,270	16,145	(25)	16,120
Creditors: amounts falling due after more than one year		(1,000)	-	(1,000)	(1,000)	-	(1,000)
Net assets		13,283	(13)	13,270	15,145	(25)	15,120
Capital and reserves		13,283	(13)	13,270	15,145	(25)	15,120

Alderley plc

Notes to the Financial Statements For the Year Ended 30 September 2016

31. First time adoption of FRS 102 (continued)

Company		Profit for the year ended 30 September 2015 £000	Equity as at 30 September 2015 £000
Under old UK GAAP			
Profit for the year		3,121	15,145
Recognition of holiday pay accrual	1	(5)	(22)
Deferred taxation	2	(7)	(3)
		<u>3,109</u>	<u>15,120</u>
Amount under FRS 102		<u>3,109</u>	<u>15,120</u>

Explanation of changes to previously reported profit and equity:

- 1 FRS 102 requires the holiday pay be recognised as an accrual or prepayment as appropriate. Under the previous UK GAAP this was not required. This change has been applied retrospectively, leading to the recognition of additional net current liabilities at the date of transition and the year ended 30 September 2015.
- 2 Under FRS 102, a deferred taxation liability is recognised on unrealised revaluation gains arising on the revaluation of fixed asset properties to their fair values.

32. Subsequent events

Since the year-end, dividends totalling £678,611 have been declared of which £631,811 has been paid. In respect of the balance of £46,800, the shareholder waived their entitlement to the dividends.