

# **Alderley plc**

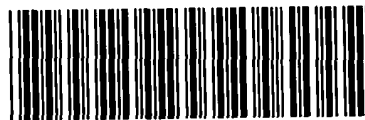
Report and Financial Statements

Year Ended

30 September 2017

Company Number 02378070

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# Alderley plc

## Company information

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<b>Directors</b>	M A Colebrook A C Mansfield L M Rose A J V Shepherd P A Slatter A J S Wilson
<b>Company secretary</b>	P A Slatter
<b>Registered number</b>	02378070
<b>Registered office</b>	Alderley House Arnolds Field Estate The Downs Wickwar Wotton-under-Edge Gloucestershire GL12 8JD
<b>Independent auditor</b>	BDO LLP 55 Baker Street London W1U 7EU
<b>Bankers</b>	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 2017

### Introduction

The Alderley Group financial statements for 2016/2017 report a pre-tax profit of £1.0m (2016 - £2.3m) on a turnover of £50.5m (2016 - £57.8m). Operating profit is 56% lower than the previous year.

Turnover originating in the UK fell by 8%, reflecting lower activity in the oil market. Turnover originating from outside the UK fell by 18%. In the year under review 69% of Alderley's turnover was for customers located outside the UK.

### **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:

	2017 £000	2016 £000	Change
Group turnover	50,495	57,781	(13%)
Operating profit	1,003	2,304	(56%)
Profit before tax	1,000	2,268	(56%)
Profit after tax	850	2,136	(60%)
Shareholders' funds	29,760	29,834	-
Cash(outflow) / inflow	5,403	(8,025)	
Net (debt) / funds (cash less borrowings)	5,234	(169)	
Number of employees	384	410	(6%)

The group's tangible fixed asset expenditure in 2017 was £3,022,000 (2016: £944,000). This expenditure includes £2.9m for a new site in Dammam, Saudi Arabia, which was shown in the accounts as a prepayment in 2016 and which was finally acquired in October 2016.

# **Alderley plc**

## **Group Strategic Report (continued) For the Year Ended 30 September 2017**

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### **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 2016/2017 saw its turnover fall from £24.2m to £20.5m with operating profit decreasing by 38%. 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 impacted by the decline in its UK market and turnover fell by 31% with operating profit decreasing by 53%.

#### **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)**

ASL supplies metering systems and also, following the transfer of the business from APT, produced water treatment systems, concentrates on the European, FSU and African markets. With the additional produced water business, 2016/2017 was a better year for ASL with turnover 76% higher than the prior year and operating loss reduced to £0.1m.

#### **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 £0.5m. A decision was made in October 2017 to scale back its operations in the Far East.

### **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 19% on the previous year at £4.0m (2016 - £4.9m).

### **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.

# Alderley plc

## Group Strategic Report (continued) For the Year Ended 30 September 2017

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### 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 continued low value of sterling against US dollar markets has benefited the group in the long term as it continues to operate 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, trade finance facility to support its working capital requirements and bank loans. 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 2017

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### *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. As noted in the prior year, the current lower level of oil price has led 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 decline of markets in the North Sea. The group continues to look at further market diversification.

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



**A J V Shepherd**  
Chairman  
Date: 28 March 2018

# Alderley plc

## Directors' Report For the Year Ended 30 September 2017

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The directors present their report and the financial statements for the year ended 30 September 2017.

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 strategic report, the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and the company 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 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;
- 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.

### Results and dividends

The profit for the year, after taxation, amounted to £850,000 (2016 – profit of £2,136,000).

Dividends of £632,000 were declared and paid in full during the year ended 30 September 2017 (2016 – £573,000).

### 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



# **Alderley plc**

## **Directors' Report (continued) For the Year Ended 30 September 2017**

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### **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 2019, which forecast continuing profitability and cash generation for the group. These forecasts take account of certain sensitivities, including possible changes in trading performance. The forecasts include significant new contracts and associated working capital requirements. The group has been offered a \$13m working capital facility, for which facility documents have been received, which is expected to be executed imminently. The forecasts show that the group will be able to successfully operate at and within the level of the facilities currently extended by the bank, together with the additional facility.

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**

Integrity is one of our core company values and we take this behaviour extremely seriously. 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 2017**

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### **People**

Our people are our biggest asset and as such we are proud of the high calibre of talented employees we have across our entire business. It is vital for our continued success that we actively support and encourage personal development and career progression. As such we invest significantly in enhancing and widening our employees personal and professional skill sets, whilst ensuring that we are seen as an employer of choice, treating our people in accordance with our values and with respect and openness. 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**

Throughout the year, we ensure we provide employees with information about the group and company through a range of internal media methods, whilst also encouraging employees 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 2017

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### Auditors

The auditors, BDO LLP, 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: 28 March 2018

# Alderley plc

## Independent Auditor's Report to the Members of Alderley plc

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### Opinion

We have audited the financial statements of Alderley plc ("the Parent Company") and its subsidiaries ("the Group") for the year ended 30 September 2017 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 notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 30 September 2017 and of the Group's 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.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

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

# Alderley plc

## Independent Auditor's Report to the Members of Alderley plc (continued)

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### Other information

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

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

We have nothing to report in this regard.

### Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the 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.

### Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report and Director's report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion;

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company 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.

# Alderley plc

## Independent Auditor's Report to the Members of Alderley plc (continued)

### Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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


### Auditor's responsibilities for the audit of the financial statements

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.

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

A further description of our responsibilities for the audit of the financial statements is located at the Financial Reporting Council's website at:

<https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.



**Ryan Ferguson** (Senior Statutory Auditor)  
For and on behalf of BDO LLP, statutory auditor  
London  
United Kingdom

28.3.2018

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 2017

	Note	2017 £000	2016 £000
Turnover	4	50,495	57,781
Other operating income		133	77
Raw materials and consumables		(23,384)	(29,427)
Staff costs	7	(18,940)	(19,457)
Depreciation and amortisation		(913)	(882)
Revaluation below cost	15	-	(329)
Other operating charges		(6,388)	(5,459)
<b>Operating profit</b>	5	<b>1,003</b>	<b>2,304</b>
Interest receivable and similar income	9	30	4
Interest payable and similar charges	10	(33)	(40)
<b>Profit before taxation</b>		<b>1,000</b>	<b>2,268</b>
Taxation	11	(150)	(132)
<b>Profit for the year</b>		<b>850</b>	<b>2,136</b>
Deferred tax on property revaluations (change of tax rate)		22	85
Currency translation differences		(314)	1,141
<b>Other comprehensive income for the year</b>		<b>(292)</b>	<b>1,226</b>
<b>Total comprehensive income for the year attributed to the shareholders of the parent company</b>		<b>558</b>	<b>3,362</b>

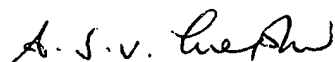
The notes on pages 21 to 48 form part of these financial statements.

# Alderley plc

## Consolidated Statement of Financial Position As at 30 September 2017

	Note	2017 £000	2017 £000	2016 £000	2016 £000
<b>Fixed assets</b>					
Intangible assets	14		1,198		1,370
Tangible assets	15		16,061		13,969
			<u>17,259</u>		<u>15,339</u>
<b>Current assets</b>					
Stocks	17	494		557	
Debtors: amounts falling due within one year	18	22,330		34,437	
Cash at bank and in hand	19	6,634		1,231	
		<u>29,458</u>		<u>36,225</u>	
Creditors: amounts falling due within one year	20	(15,082)		(19,831)	
<b>Net current assets</b>			<u>14,376</u>		<u>16,394</u>
<b>Total assets less current liabilities</b>			<u>31,635</u>		<u>31,733</u>
Creditors: amounts falling due after more than one year	21		(1,400)		(1,400)
<b>Provisions for liabilities</b>					
Deferred tax	24	(475)		(499)	
			<u>(475)</u>		<u>(499)</u>
<b>Net assets</b>			<u><u>29,760</u></u>		<u><u>29,834</u></u>
<b>Capital and reserves</b>					
Called up share capital	25		377		377
Share premium account			474		474
Revaluation reserve			3,153		3,141
Profit and loss account			25,756		25,842
			<u><u>29,760</u></u>		<u><u>29,834</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 28 March 2018



**A. J. V. Shepherd**  
Director

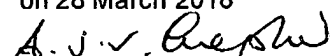
The notes on pages 21 to 48 form part of these financial statements.



**Alderley plc****Company Statement of Financial Position  
As at 30 September 2017**

	Note	£000	2017 £000	£000	2016 £000
<b>Fixed assets</b>					
Tangible assets	15		3,548		3,759
Investments	16		5,539		5,587
			<u>9,087</u>		<u>9,346</u>
<b>Current assets</b>					
Debtors: amounts falling due within one year	18	4,125		6,605	
Cash at bank and in hand	19	7,181		3,304	
		<u>11,306</u>		<u>9,909</u>	
Creditors: amounts falling due within one year	20	(2,816)		(1,755)	
<b>Net current assets</b>			<u>8,490</u>		<u>8,154</u>
<b>Total assets less current liabilities</b>			<u>17,577</u>		<u>17,500</u>
Creditors: amounts falling due after more than one year	21		(1,000)		(1,000)
<b>Net assets</b>			<u><u>16,577</u></u>		<u><u>16,500</u></u>
<b>Capital and reserves</b>					
Called up share capital	25		377		377
Share premium account			474		474
Revaluation reserve			139		149
Profit and loss account			15,587		15,500
<b>Shareholders' funds</b>			<u><u>16,577</u></u>		<u><u>16,500</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 28 March 2018



**A J V Shepherd**  
Director

The notes on pages 21 to 48 form part of these financial statements.

# Alderley plc

## Consolidated Statement of Changes in Equity For the Year Ended 30 September 2017

	Called up share capital	Share premium account	Revaluation reserve	Profit and loss account	Total equity
	£000	£000	£000	£000	£000
At 1 October 2016	377	474	3,141	25,842	29,834
<b>Comprehensive income for the year</b>					
Profit for the year	-	-	-	850	850
Foreign currency retranslation	-	-	-	(314)	(314)
Transfer between reserves	-	-	(10)	10	-
Deferred tax on property revaluations (change of tax rate)	-	-	22	-	22
<b>Other comprehensive income for the year</b>	-	-	12	(304)	(292)
<b>Total comprehensive income for the year</b>	-	-	12	546	558
<b>Contributions by and distributions to owners</b>					
Dividends	-	-	-	(632)	(632)
<b>Total contributions by and distributions to owners</b>	-	-	-	(632)	(632)
<b>At 30 September 2017</b>	<b>377</b>	<b>474</b>	<b>3,153</b>	<b>25,756</b>	<b>29,760</b>

The notes on pages 21 to 48 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
<b>Comprehensive income for the year</b>					
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	-	-	85	-	85
<b>Other comprehensive income for the year</b>	-	-	75	1,151	1,226
<b>Total comprehensive income for the year</b>	-	-	75	3,287	3,362
<b>Contributions by and distributions to owners</b>					
Dividends	-	-	-	(573)	(573)
<b>Total contributions by and distributions to owners</b>	-	-	-	(573)	(573)
<b>At 30 September 2016</b>	<b>377</b>	<b>474</b>	<b>3,141</b>	<b>25,842</b>	<b>29,834</b>

The notes on pages 21 to 48 form part of these financial statements.

# Alderley plc

## Company Statement of Changes in Equity For the Year Ended 30 September 2017

	Called up share capital	Share premium account	Revaluation reserve	Profit and loss account	Total equity
	£000	£000	£000	£000	£000
At 1 October 2016	377	474	149	15,500	16,500
<b>Comprehensive income for the year</b>					
Profit for the year	-	-	-	705	705
Foreign currency retranslation	-	-	-	4	4
Transfer between reserves			(10)	10	-
<b>Other comprehensive income for the year</b>	-	-	(10)	14	4
<b>Total comprehensive income for the year</b>	-	-	(10)	719	709
<b>Contributions by and distributions to owners</b>					
Dividends	-	-	-	(632)	(632)
<b>Total contributions by and distributions to owners</b>	-	-	-	(632)	(632)
<b>At 30 September 2017</b>	<b>377</b>	<b>474</b>	<b>139</b>	<b>15,587</b>	<b>16,577</b>

The notes on pages 21 to 48 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
<b>Comprehensive income for the year</b>					
Profit for the year	-	-	-	2,041	2,041
Foreign currency retranslation	-	-	-	(88)	(88)
Transfer between reserves	-	-	(10)	10	-
<b>Other comprehensive income for the year</b>	-	-	(10)	(78)	(88)
<b>Total comprehensive income for the year</b>	-	-	(10)	1,963	1,953
<b>Contributions by and distributions to owners</b>					
Dividends	-	-	-	(573)	(573)
<b>Total contributions by and distributions to owners</b>	-	-	-	(573)	(573)
<b>At 30 September 2016</b>	<b>377</b>	<b>474</b>	<b>149</b>	<b>15,500</b>	<b>16,500</b>

The notes on pages 21 to 48 form part of these financial statements.

# Alderley plc

## Consolidated Statement of Cash Flows For the Year Ended 30 September 2017

	2017 £000	Restated 2016 £000
<b>Cash flows from operating activities</b>		
Profit for the financial year	850	2,136
Adjustments for:		
Amortisation of intangible assets	172	172
Depreciation of tangible assets	741	710
Profit/(loss) on disposal of tangible assets	(1)	1
Revaluation of property below cost	-	329
Change in fair value of foreign currency derivative contracts	(452)	494
Net interest payable	3	36
Foreign exchange	(143)	(1,021)
Taxation expense	150	132
Decrease/(increase) in stocks	63	(33)
Decrease/(increase) in debtors	9,669*	(6,590)*
(Decrease) in creditors	(4,044)	(322)
Cash from operations	7,008	(3,956)
Interest paid	(33)	(40)
Tax paid	(235)	(255)
<b>Net cash generated from / (used in) operating activities</b>	<b>6,740</b>	<b>(4,251)</b>
<b>Cash flows from investing activities</b>		
Purchase of tangible fixed assets	(754)*	(3,212)*
Proceeds from the sale of tangible fixed assets	19	7
Interest received	30	4
<b>Net cash used in investing activities</b>	<b>(705)</b>	<b>(3,201)</b>
<b>Cash flows from financing activities</b>		
Equity dividends paid	(632)	(573)
<b>Net cash used in financing activities</b>	<b>(632)</b>	<b>(573)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>5,403</b>	<b>(8,025)</b>

\* Prepayments for property in 2016 have been reclassified from 'increase in debtors' to 'purchase of tangible fixed assets' to reflect the nature of the cash flow.

# Alderley plc

## Consolidated Statement of Cash Flows (continued) For the Year Ended 30 September 2017

Cash and cash equivalents at beginning of year	1,231	8,725
Foreign exchange gains and losses	-	531
<b>Cash and cash equivalents at the end of year</b>	<b><u>6,634</u></b>	<b><u>1,231</u></b>
<b>Cash and cash equivalents at the end of year comprise:</b>		
Cash at bank and in hand	6,634	1,231
	<b><u>6,634</u></b>	<b><u>1,231</u></b>

The notes on pages 21 to 48 form part of these financial statements.

# Alderley plc

## Notes to the Financial Statements For the Year Ended 30 September 2017

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### 1. General information

Alderley plc is a public limited company limited by shares, incorporated in England and Wales under the Companies Act 2006. The address of the registered office and registered number are 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.

##### *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 2019 which forecast continuing profitability and sufficient cash generation for the group. These forecasts take account of certain sensitivities, including possible changes in trading performance. The forecasts include significant new contracts and associated working capital requirements. The group has been offered a \$13m working capital facility, for which facility documents have been received, which is expected to be executed imminently. The forecasts show that the group will be able to successfully operate at and within the level of the facilities currently extended by the bank, together with the additional facility. The existing facility is renewable annually and the Directors anticipate renewal in line with past practice. 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 2017

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### 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 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.

# Alderley plc

## Notes to the Financial Statements For the Year Ended 30 September 2017

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### 2. Accounting policies (continued)

#### 2.6 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.

#### 2.7 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
IT 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.

# Alderley plc

## Notes to the Financial Statements For the Year Ended 30 September 2017

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### 2. Accounting policies (continued)

#### 2.8 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.

#### 2.9 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.

#### 2.10 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.

#### 2.11 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.

Stocks include biological assets such as livestock and crops. As permitted by FRS 102, the company applies the cost model when measuring stocks of biological assets.

# Alderley plc

## Notes to the Financial Statements For the Year Ended 30 September 2017

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### 2. Accounting policies (continued)

#### 2.12 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.

#### 2.13 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 2017

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### 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'.

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 the statement of comprehensive income 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 2017

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### **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.

### **2.23 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.

# Alderley plc

## Notes to the Financial Statements For the Year Ended 30 September 2017

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### 2.24 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, 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.

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.

### 2.25 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.

The expected useful economic life of development costs is estimated based on business plans which set out the development plan and time to market for the associated project.

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 2017

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### 2.26 Reserves

The Company's reserves are as follows:

#### **Share capital**

Called up share capital represents the nominal value of the shares issued.

#### **Share premium account**

Share premium represents the excess of proceeds received over the nominal value of new shares issued.

#### **Revaluation reserve**

The aggregate surplus or deficit arising on revaluation is transferred to the revaluation reserve except where a deficit is deemed to represent a permanent diminution in value, in which case it is charged to the profit and loss account.

#### **Profit and loss account**

Profit and loss account represents cumulative profits or losses net of dividends paid and other adjustments.



# Alderley plc

## Notes to the Financial Statements For the Year Ended 30 September 2017

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### 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. The Directors assessed the carrying value of the goodwill in respect of Specialised Management Services Limited and Kelton Engineering Limited (note 14). An impairment assessment was undertaken comparing the net present value of expected future cash flows against the carrying value of goodwill using an appropriate discount rate. No impairment was considered to exist based on the forecast trading of the respective operations.
- Determine whether leases entered into by the company either as a lessor or a lessee are operating leases or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.

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.

# Alderley plc

## Notes to the Financial Statements For the Year Ended 30 September 2017

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### 3. Judgements in applying accounting policies and key sources of estimation uncertainty (continued)

#### 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 valuers 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 also subject to external valuation. At 30 September 2017 the 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.

#### Foreign Taxation

- The group operates in a number of different jurisdictions. As a result, it is subject to varied tax regimes. The nature of these regimes means the group is periodically subject to tax assessments and disputes with the local tax authorities. The group makes a reasonable provision for any amounts of tax that are likely to be paid as a result of their assessments.

# Alderley plc

## Notes to the Financial Statements For the Year Ended 30 September 2017

### 4. Turnover

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

	2017 £000	2016 £000
Systems	46,330	52,622
Consultancy	3,979	4,922
Farming	186	237
	<u>50,495</u>	<u>57,781</u>

Analysis of turnover by country of destination:

	2017 £000	2016 £000
United Kingdom	15,547	12,507
Europe	5,241	13,764
Rest of the world	29,707	31,510
	<u>50,495</u>	<u>57,781</u>

### 5. Operating profit

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

	2017 £000	2016 £000
Amortisation of goodwill	172	172
Depreciation of owned fixed assets	741	710
Profit/(loss) on disposal of fixed assets	(1)	1
Revaluation below cost	-	329
Operating lease costs - land and buildings	578	557
Operating lease costs - other	175	156
Change in fair value of foreign currency derivative contracts	(452)	494
Net profit on foreign currency translation	(235)	(1,021)
Defined contribution pension cost	<u>474</u>	<u>534</u>

# Alderley plc

## Notes to the Financial Statements For the Year Ended 30 September 2017

### 6. Auditor's remuneration

	2017 £000	2016 £000
Fees payable to the group's auditor and its associates for the audit of the group's annual accounts	103	100
Fees payable to the group's auditor and its associates in respect of:		
Taxation services – tax compliance	25	25
Other services supplied pursuant to such legislation	4	4
Other services relating to taxation	27	108
	<u>56</u>	<u>137</u>

In respect of 2017 the above fees were payable to BDO LLP.

The above amounts do not include audit fees of £nil (2016 - £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.

### 7. Employees

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

	2017 £000	2016 £000
Wages and salaries	17,253	17,634
Social security costs	1,213	1,289
Cost of defined contribution scheme	474	534
	<u>18,940</u>	<u>19,457</u>

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

	2017 No.	2016 No.
Administration and management	86	93
Sales and production	298	317
	<u>384</u>	<u>410</u>

# Alderley plc

## Notes to the Financial Statements For the Year Ended 30 September 2017

### 8. Directors' remuneration

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

	2017 £000	2016 £000
Aggregate emoluments	549	525
Value of company pension contributions to money purchase schemes	79	95
	<u>628</u>	<u>620</u>

#### Emoluments of highest paid director:

Aggregate emoluments	195	149
Value of company pension contributions to money purchase schemes	14	56
	<u>209</u>	<u>205</u>

The number of directors who accrued benefits under company pension schemes was 3 (2016 - 3).

### 9. Interest receivable and similar income

	2017 £000	2016 £000
Bank interest receivable	22	4
Other interest receivable	8	-
	<u>30</u>	<u>4</u>

### 10. Interest payable and similar charges

	2017 £000	2016 £000
Interest payable on bank borrowings	28	34
Other similar charges payable	5	6
	<u>33</u>	<u>40</u>

# Alderley plc

## Notes to the Financial Statements For the Year Ended 30 September 2017

### 11. Taxation

	2017 £000	2016 £000
<b>Corporation tax</b>		
UK corporation tax based on the results for the year	39	110
Adjustments in respect of previous periods	(306)	(410)
	<u>(267)</u>	<u>(300)</u>
<b>Foreign tax</b>		
Foreign tax suffered	301	425
Adjustments in respect of prior year foreign tax	103	-
	<u>404</u>	<u>425</u>
<b>Total current tax</b>	<b>137</b>	<b>125</b>
<b>Origination and reversal of timing differences</b>	<b>9</b>	<b>136</b>
Adjustments in respect of prior year deferred tax	5	(129)
	<u>14</u>	<u>7</u>
<b>Total deferred tax</b>		
<b>Taxation on profit on ordinary activities</b>	<b><u>150</u></b>	<b><u>132</u></b>

### Factors affecting tax charge for the year

The tax assessed for the year is lower than the standard rate of corporation tax in the UK of 19.5% (2016 - 20%). The differences are explained below:

	2017 £000	2016 £000
Profit on ordinary activities before tax	<u>1,000</u>	<u>2,268</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.5% (2016 - 20%)	195	453
<b>Effects of:</b>		
Expenses not deductible for tax purposes	203	176
Higher rates on foreign income	224	160
Different tax rates for foreign subsidiaries	(301)	(198)
Adjustments in respect of prior years	(306)	(410)
Adjustments in respect of prior years' foreign tax	103	-
Tax losses generated but deferred tax impact not recognised	28	-
Deferred tax – impact of changes in tax rates	9	(56)
Other differences	(5)	7
<b>Total tax charge for the year</b>	<b><u>150</u></b>	<b><u>132</u></b>

For further information on deferred tax balances, see note 24.

# Alderley plc

## Notes to the Financial Statements For the Year Ended 30 September 2017

### 12. Dividends

Amounts recognised as distributions to shareholders in the year:

	2017 £000	2016 £000
Dividend for the year ended 30 September 2017 of 167.6p (2016 – 152.0p) per ordinary share	<u>632</u>	<u>573</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 £705,000 (2016 - £2,041,000).

### 14. Intangible assets

Group	Development £000	Goodwill £000	Total £000
<b>Cost</b>			
At 1 October 2016	675	3,302	3,977
At 30 September 2017	<u>675</u>	<u>3,302</u>	<u>3,977</u>
<b>Amortisation</b>			
At 1 October 2016	675	1,932	2,607
Charge for the year	-	172	172
At 30 September 2017	<u>675</u>	<u>2,104</u>	<u>2,779</u>
<b>Net book value</b>			
At 30 September 2017	<u>-</u>	<u>1,198</u>	<u>1,198</u>
At 30 September 2016	<u>-</u>	<u>1,370</u>	<u>1,370</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 7 and 8 years of useful economic life remaining for Specialised Management Services Limited and Kelton Engineering Limited respectively. The estimate is based on a variety of factors such as the expected use of the acquired business, the expected useful life of the cash generating units to which the goodwill is attributed, any legal, regulatory or contractual provisions that can limit useful life and assumptions that market participants would consider in respect of similar businesses. The Directors assessed the carrying value of goodwill for potential impairment as detailed in note 3.

## Alderley plc

### Notes to the Financial Statements For the Year Ended 30 September 2017

#### 15. Tangible assets

##### Group

	Freehold property £000	Leasehold property £000	Plant and machinery £000	Motor vehicles £000	Fixtures and fittings £000	IT equipment £000	Total £000
<b>Cost or valuation</b>							
At 1 October 2016	10,329	3,151	2,551	119	423	2,263	18,836
Additions	17	2,944	23	-	-	38	3,022
Disposals	-	-	(36)	(8)	(9)	(113)	(166)
Exchange adjustments	-	(189)	(19)	(4)	(5)	(16)	(233)
At 30 September 2017	<u>10,346</u>	<u>5,906</u>	<u>2,519</u>	<u>107</u>	<u>409</u>	<u>2,172</u>	<u>21,459</u>
<b>Depreciation</b>							
At 1 October 2016	63	792	1,962	97	247	1,706	4,867
Charge for the year	110	180	112	6	41	292	741
Disposals	-	-	(23)	(3)	(9)	(113)	(148)
Exchange adjustments	-	(26)	(15)	(3)	(4)	(14)	(62)
At 30 September 2017	<u>173</u>	<u>946</u>	<u>2,036</u>	<u>97</u>	<u>275</u>	<u>1,871</u>	<u>5,398</u>
<b>Net book value</b>							
At 30 September 2017	<u>10,173</u>	<u>4,960</u>	<u>483</u>	<u>10</u>	<u>134</u>	<u>301</u>	<u>16,061</u>
At 30 September 2016	<u>10,266</u>	<u>2,359</u>	<u>589</u>	<u>22</u>	<u>176</u>	<u>557</u>	<u>13,969</u>



# Alderley plc

## Notes to the Financial Statements For the Year Ended 30 September 2017

### 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.

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.

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 2017.

The value of freehold land that is not depreciated is £5,845,000 (2016 - £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:

	2017 £000	2016 £000
<b>Net book value</b>		
At 30 September	10,173	10,266
<b>Historical cost:</b>		
At 30 September	8,502	8,485
<b>Depreciation / impairment</b>		
At 1 October	1,156	734
Charge for year	100	422
<b>At 30 September</b>	<b>1,256</b>	<b>1,156</b>
<b>Net historical book value</b>		
At 30 September	7,246	7,329
At 1 October	7,329	7,211

## Alderley plc

Notes to the Financial Statements  
For the Year Ended 30 September 2017

### 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
<b>Cost or valuation</b>								
At 1 October 2016	1,396	1,364	775	82	8	24	974	4,623
Additions	-	17	-	-	-	-	2	19
Disposals	-	-	-	-	(8)	-	(70)	(78)
At 30 September 2017	<b>1,396</b>	<b>1,381</b>	<b>775</b>	<b>82</b>	<b>-</b>	<b>24</b>	<b>906</b>	<b>4,564</b>
<b>Depreciation</b>								
At 1 October 2016	31	23	17	82	3	15	693	864
Charge for the year	31	24	17	-	-	2	151	225
Disposals	-	-	-	-	(3)	-	(70)	(73)
At 30 September 2017	<b>62</b>	<b>47</b>	<b>34</b>	<b>82</b>	<b>-</b>	<b>17</b>	<b>774</b>	<b>1,016</b>
<b>Net book value</b>								
At 30 September 2017	<b>1,334</b>	<b>1,334</b>	<b>741</b>	<b>-</b>	<b>-</b>	<b>7</b>	<b>132</b>	<b>3,548</b>
At 30 September 2016	<b>1,365</b>	<b>1,341</b>	<b>758</b>	<b>-</b>	<b>5</b>	<b>9</b>	<b>281</b>	<b>3,759</b>

# Alderley plc

## Notes to the Financial Statements For the Year Ended 30 September 2017

### 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:

	2017 £000	2016 £000
<b>Net book value</b>		
At 30 September	2,668	2,706
<b>Historical cost</b>		
At 30 September	3,248	3,231
<b>Depreciation</b>		
At 1 October	662	617
Charge for year	46	45
	<u>708</u>	<u>662</u>
At 30 September	2,540	2,569
<b>Net historical book value</b>		
At 1 October	2,569	2,614

### 16. Fixed asset investments

#### Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Country of incorporation	Class of shares	Holding	Principal activity
<b>Held by the company:</b>				
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 2017

### 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
<b>Held by the group:</b>			
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
<b>Other Investments</b>			
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 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 2017

### 16. Fixed asset investments (continued)

Dormant subsidiaries are exempt from preparing individual accounts by virtue of S394A of Companies Act 2006 and exempt from filing with the registrar individual accounts by virtue of S448A of Companies Act 2006.

#### Company

	Investments in subsidiary companies £000
<b>Cost or valuation</b>	
At 1 October 2016	6,454
Additions	-
At 30 September 2017	<u>6,454</u>
<b>Impairment</b>	
At 1 October 2016	867
Charge for the year	48
At 30 September 2017	<u>915</u>
<b>Net book value</b>	
At 30 September 2017	<u><u>5,539</u></u>
At 30 September 2016	<u><u>5,587</u></u>

The impairment refers to the Company's investment in Alderley Asia Pacific Pte Limited and follows the subsidiary's loss for the year and the decision to reduce the size of its operations in the Far East.

### 17. Stocks

	Group 2017 £000	Group 2016 £000	Company 2017 £000	Company 2016 £000
Raw materials and consumables	348	341	-	-
Work in progress (goods to be sold)	146	216	-	-
	<u>494</u>	<u>557</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 2017

### 18. Debtors

	Group 2017 £000	Group 2016 £000	Company 2017 £000	Company 2016 £000
Trade debtors	9,910	16,357	-	-
Amounts owed by group undertakings	-	-	3,179	6,361
Other debtors	284	122	707	-
Prepayments and accrued income	2,232	5,064	63	60
Amounts recoverable on long term contracts	9,406	12,226	-	-
Deferred taxation	294	310	176	184
Corporation tax	202	358	-	-
Derivative financial instruments	2	-	-	-
	<u>22,330</u>	<u>34,437</u>	<u>4,125</u>	<u>6,605</u>

The impairment loss recognised in the company statement of comprehensive income for the period in respect of bad and doubtful trade debtors was £219k (2016 - £38k).

### 19. Cash at bank and in hand

	Group 2017 £000	Group 2016 £000	Company 2017 £000	Company 2016 £000
Cash at bank and in hand	<u>6,634</u>	<u>1,231</u>	<u>7,181</u>	<u>3,304</u>

# Alderley plc

## Notes to the Financial Statements For the Year Ended 30 September 2017

### 20. Creditors: Amounts falling due within one year

	Group 2017 £000	Group 2016 £000	Company 2017 £000	Company 2016 £000
Payments received on account	1,575	2,699	-	-
Trade creditors	4,618	5,793	-	182
Amounts owed to group undertakings	-	-	1,365	99
Corporation tax	47	302	-	102
Taxation and social security	307	428	45	76
Directors' loan accounts	315	301	315	301
Other creditors	327	198	182	18
Accruals and deferred income	7,886	9,653	909	977
Derivative financial instruments	7	457	-	-
	<u>15,082</u>	<u>19,831</u>	<u>2,816</u>	<u>1,755</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 2017 or 2016.

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 2017 £000	Group 2016 £000	Company 2017 £000	Company 2016 £000
Bank loans (secured)	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 2017

### 22. Borrowings

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

	2017	2016
	£000	£000
<b>Amounts repayable:</b>		
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 (2016: £1,000,000) owed to group undertakings and disclosed in note 21.

### 23. Financial instruments

The Group's and Company's financial instruments may be analysed as follows:

	Group 2017 £000	Group 2016 £000	Company 2017 £000	Company 2016 £000
<b>Financial assets</b>				
Financial assets that are debt instruments measured at amortised cost	27,747	34,421	11,067	9,665
Derivative financial instruments measured at fair value through profit or loss	<u>2</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Financial liabilities</b>				
Financial liabilities measured at amortised cost	(15,962)	(20,372)	(3,816)	(2,755)
Derivative financial instruments measured at fair value through profit or loss	<u>(7)</u>	<u>(457)</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, accrued income, guarantees, deposits 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 2017

### 24. Deferred tax

#### Group

	2017 £000	2016 £000
At beginning of year	(189)	(267)
Credited / (charged) to profit or loss	(14)	(7)
Credited to other comprehensive income (effect of tax rate change)	22	85
<b>At end of year</b>	<b>(181)</b>	<b>(189)</b>

#### Company

	2017 £000	2016 £000
At beginning of year	184	262
Charged to profit or loss	(8)	(78)
<b>At end of year</b>	<b>176</b>	<b>184</b>

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

	Group 2017 £000	Group 2016 £000	Company 2017 £000	Company 2016 £000
Accelerated capital allowances	26	31	82	90
Tax losses carried forward	181	181	93	93
Chargeable gains	(395)	(417)	-	-
Short term timing differences	7	16	1	1
	<b>(181)</b>	<b>(189)</b>	<b>176</b>	<b>184</b>

#### Classification:

Asset - due within one year	294	310	176	184
Liability	(475)	(499)	-	-
	<b>(181)</b>	<b>(189)</b>	<b>176</b>	<b>184</b>

### 25. Share capital

	2017 £000	2016 £000
<b>Allotted, called up and fully paid</b>		
377,006 (2016 - 377,006) Ordinary shares of £1 each	<b>377</b>	<b>377</b>

# Alderley plc

## Notes to the Financial Statements For the Year Ended 30 September 2017

### 26. Capital commitments

At 30 September 2017 the Group and Company had capital commitments as follows:

	<b>Group 2017 £000</b>	<b>Group 2016 £000</b>	<b>Company 2017 £000</b>	<b>Company 2016 £000</b>
Contracted for but not provided in these financial statements	<u>9</u>	<u>128</u>	<u>-</u>	<u>18</u>

### 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 £474,000 (2016 - £534,000), inclusive of employee contributions. There were £60,000 outstanding contributions at the year-end (2016 - £64,000).

### 28. Contingent liabilities

#### Group

Five (2016 - five) of the company's subsidiaries have given performance bond guarantees, bid bonds and advance payment guarantees totalling £7,348,000 (2016 - £13,331,000). 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.

#### Company

The company did not enter into bond guarantees, bid bonds or advance payment guarantees (2016 - £Nil).

### 29. Commitments under operating leases

At 30 September 2017 the Group and the Company had future minimum lease payments under non-cancellable operating leases as follows:

	<b>Group 2017 £000</b>	<b>Group 2016 £000</b>	<b>Company 2017 £000</b>	<b>Company 2016 £000</b>
<b>Land and buildings:</b>				
Not later than 1 year	380	467	-	-
Later than 1 year and not later than 5 years	582	313	-	-
Later than 5 years	<u>161</u>	<u>86</u>	<u>-</u>	<u>-</u>
<b>Other:</b>				
Not later than 1 year	94	109	18	23
Later than 1 year and not later than 5 years	103	97	21	12
Later than 5 years	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

# Alderley plc

## Notes to the Financial Statements For the Year Ended 30 September 2017

### 30. Related party transactions

A J V Shepherd is the ultimate controlling party of Alderley plc.

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 £1,053,000 (2016: £1,078,000).

Certain group properties are occupied by directors, or relatives of directors. Other income includes £4,800 (2016: £9,600) in respect of the related rental income.

The directors received dividends in aggregate on the same terms as the other shareholders, of £429,000 (2016 - £402,000).

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.

	2017 Year End Balance £000 (Dr) / Cr	2017 Maximum Balance £000 (Dr) / Cr	2017 Minimum Balance £000 (Dr) / Cr	2017 Dividends Credited £000 (Dr) / Cr	2017 Expenditure /Drawings £000 (Dr) / Cr
Directors	315	366	72	429	(415)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
	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	301	504	146	402	(473)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

### 31. Subsequent events

Since the year end dividends totalling £124,412 have been declared and paid.