

COMPANIES HOUSE

Registered number: 03136077

R & D EUROPE LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

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COMPANIES HOUSE

R & D EUROPE LIMITED

COMPANY INFORMATION

Directors	A M Drienik T White M Stiles
Company secretary	S Ennis
Registered number	03136077
Registered office	Leverage House Hamilton Road SUTTON IN ASHFIELD Nottinghamshire NG17 5LD
Independent auditor	Grant Thornton UK LLP Chartered Accountants & Statutory Auditor 2 Broadfield Court SHEFFIELD South Yorkshire S8 0XF
Bankers	National Westminster Bank Plc 148-149 Victoria Centre NOTTINGHAM NG1 3QT
Solicitors	Ashton Bond Gigg Pearl Assurance House Friar Lane NOTTINGHAM NG1 6BX

R & D EUROPE LIMITED

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**GROUP STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2017**

Introduction

The Company is a solution provider to the ISBM Single Stage Market, we offer Product evaluation, tooling design, manufacturing of tooling and Technical Service assistance. In the Product Solution Laboratory we offer research and development for bottles and jars, material and colour trials and production tooling qualification.

Business review and future developments

The profit for the year, after taxation, amounted to £771,916 (2016: £426,275).

Sales increased dramatically through 2017, several reasons were behind the increase, R&D are becoming a more brand recognised name within the industry and now see customers seeking us out. We are also seeing our strategic plan of working directly with Brand Owners come to fruition. The weaker pound has helped us with price negotiations.

2017 saw a continuation of our territorial expansion with R&D receiving orders from customers in China, UAE and New Zealand, we consolidated our success in Russia and South Africa with increased sales in these regions. Our Product Solution Laboratory continues to be the major factor that differentiates R&D from our competitors and more and more we are recognised as the World's leading solution provider for the Single Stage market. Our goal is to attract more Brand Owners to R&D where we have the ability to offer positive solutions.

Principal risks and uncertainties**UK to leave the EU**

With no agreements in place for movement of goods or freedom of movement of EU nationals we could well see a downturn of our European business through uncertainty. We are already being challenged by several of our European customers as to what is going to happen post Brexit.

Interest Rate Risk

The Company finances its operation through a mixture of retained profits, cash at bank and finance leases. The Company's exposure to interest fluctuations on its borrowings is managed by the use of both fixed and floating facilities.

Liquidity Risk

The Company seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. Primarily this is achieved through finance leases and short term flexibility is achieved through overdraft facilities.

Currency Risk

The Company is exposed to transaction and translation foreign exchange risk. In relation to translation risk the Company maintains a bank balance in foreign currencies to mitigate this risk.

Financial Instruments

The Company uses financial instruments, other than derivatives, comprising borrowing, cash and other liquid resources and various other items such as trade debtors and creditors that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the Company's operations. The main risk arising from the Company's financial instruments are interest rate risk, liquidity risk and currency risk. The Directors review and agree policies for managing each of these risks. The policies have remained unchanged from previous periods.

R & D EUROPE LIMITED

**GROUP STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2017**

Key performance indicators

The financial and non financial KPIs of the Company are:

	2017	2016
Deliveries to be made on time to be above 99.7%	99.45%	99.9%
Adjusted debtor days to be below 30 days.	8.25	12.5
Adjusted creditor days to be 45 days.	64.6	64
Overtime to be below 4 hours per employee per week.	4.2	3.1
Manage cash within limits.	Yes	Yes

Performance against these KPIs has been accepted during the year.

This report was approved by the board on *16 APRIL 2018*

and signed on its behalf.



T White
Director

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2017**

The directors present their report and the financial statements for the year ended 31 December 2017.

Results and dividends

The profit for the year, after taxation, amounted to £771,916 (2016 - £426,275).

Directors

The directors who served during the year were:

A M Drienik
T White
M Stiles

Going concern

After making appropriate enquiries and reviewing budgets, profit and cash flow forecasts and business plans which cover the period to December 2019, the Directors have formed a judgement at the time of approving the Financial Statements that there is a reasonable expectation that the company has sufficient resources and available facilities to continue in operational existence for the foreseeable future. For this reason, the Directors consider the adoption of the going concern basis in preparing the Financial Statements is appropriate.

Directors' responsibilities statement

The directors are responsible for preparing the Group strategic report, the Directors' report and the consolidated financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law, including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit and loss of the Company and 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

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

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

R & D EUROPE LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2017**

Future developments

Information on future developments is included in the Strategic Report.

Disclosure of information to auditor

The directors confirm that:

- so far as each director is aware, there is no relevant audit information of which the Company and the Group's auditor is unaware, and
- The directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Company and the Group's auditor is aware of that information.

Post balance sheet events

There have been no significant events affecting the Group and company since the year end.

Auditor

The auditor, Grant Thornton UK LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on *16 APRIL 2018* and signed on its behalf.



T White
Director

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF R & D EUROPE LIMITED

Opinion

We have audited the financial statements of R & D Europe Limited (the 'parent Company') and its subsidiary (the 'Group') for the year ended 31 December 2017, which comprise the Consolidated Statement of Income and Retained Earnings, the Consolidated and Company Statements of Financial Position, the Consolidated Statement of Cash Flows and the 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 31 December 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 in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council'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.

Who we are reporting to

This report is made solely to the Company's shareholder 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 shareholder 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 shareholder for our audit work, for this report, or for the opinions we have formed.

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's 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF R & D EUROPE LIMITED (CONTINUED)

Other information

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

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

We have nothing to report in 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 Group strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Group strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by the Companies Act 2006

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 Group strategic report or the Directors' report.

Matters on which we are required to report by exception

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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF R & D EUROPE LIMITED (CONTINUED)

Responsibilities of directors for the financial statements

As explained more fully in the Directors' responsibilities statement on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the 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

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. The description forms part of our Auditor's report.

Grant Thornton UK LLP

Peter Edwards BA FCA
Senior Statutory Auditor
Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Sheffield

Date: 16 APRIL 2018

**CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS
FOR THE YEAR ENDED 31 DECEMBER 2017**

	Note	2017 £	2016 £
Turnover	4	7,690,191	6,446,166
Cost of sales		(3,033,115)	(2,487,339)
Gross profit		4,657,076	3,958,827
Administrative expenses		(3,840,538)	(3,436,542)
Operating profit	5	816,538	522,285
Interest receivable and similar income	8	418	937
Interest payable and similar charges	9	(48,750)	(57,617)
Profit on ordinary activities before taxation		768,206	465,605
Tax on profit on ordinary activities	10	3,710	(39,330)
Profit after tax		771,916	426,275
Retained earnings at the beginning of the year		2,581,511	2,155,236
		2,581,511	2,155,236
Profit for the year attributable to the owners of the parent		771,916	426,275
Dividends declared and paid	11	(206,000)	-
Retained earnings at the end of the year		3,147,427	2,581,511

There were no recognised gains and losses for 2017 or 2016 other than those included in the consolidated statement of income and retained earnings.

All amounts relate to continuing operations.

The notes on pages 13 to 32 form part of these financial statements.

R & D EUROPE LIMITED
REGISTERED NUMBER: 03136077

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

	Note	2017 £	2016 £
Fixed assets			
Tangible assets	12	5,344,197	4,436,048
		<u>5,344,197</u>	<u>4,436,048</u>
Current assets			
Stocks	14	597,837	638,297
Debtors: amounts falling due within one year	15	681,313	719,121
Cash at bank and in hand	16	1,013,525	635,109
		<u>2,292,675</u>	<u>1,992,527</u>
Creditors: amounts falling due within one year	17	(2,770,407)	(2,145,862)
Net current liabilities		<u>(477,732)</u>	<u>(153,335)</u>
Total assets less current liabilities		<u>4,866,465</u>	<u>4,282,713</u>
Creditors: amounts falling due after more than one year	18	(1,198,742)	(1,182,580)
Provisions for liabilities			
Deferred taxation	22	(180,875)	(164,481)
		<u>(180,875)</u>	<u>(164,481)</u>
Accruals and deferred income	23	(89,421)	(104,141)
Net assets		<u><u>3,397,427</u></u>	<u><u>2,831,511</u></u>
Capital and reserves			
Called up share capital	25	250,000	250,000
Profit and loss account	24	3,147,427	2,581,511
Equity attributable to owners of the parent Company		<u><u>3,397,427</u></u>	<u><u>2,831,511</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 16/4/2018

T White

T White
Director

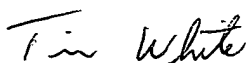
The notes on pages 13 to 32 form part of these financial statements.

R & D EUROPE LIMITED
REGISTERED NUMBER: 03136077

COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

	Note	2017 £	2016 £
Fixed assets			
Investments	13	683,212	683,212
Net assets		<u>683,212</u>	<u>683,212</u>
Capital and reserves			
Called up share capital	25	250,000	250,000
Profit and loss account	24	433,212	433,212
		<u>683,212</u>	<u>683,212</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 16/4/2018



T White
Director

The notes on pages 13 to 32 form part of these financial statements.

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 income and retained earnings in these financial statements. The profit after tax of the parent Company for the year was £206,000 (2016: £Nil).

R & D EUROPE LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2017

	2017 £	2016 £
Cash flows from operating activities		
Profit for the financial year	771,916	426,275
Adjustments for:		
Amortisation of intangible assets	-	9,985
Depreciation of tangible assets	693,352	620,901
Loss on disposal of tangible assets	(11,830)	(692)
Government grants	(14,720)	(14,720)
Interest paid	48,750	57,617
Interest received	(418)	(937)
Taxation charge	(3,710)	39,330
Decrease/(increase) in stocks	40,460	(348,294)
Decrease/(increase) in debtors	37,808	(136,412)
Increase in creditors	649,774	548,311
Increase/(decrease) in amounts owed to groups	4,722	(11,314)
Corporation tax received	44,796	15,121
Net cash generated from operating activities	<u>2,260,900</u>	<u>1,205,171</u>
Cash flows from investing activities		
Purchase of tangible fixed assets	(1,620,001)	(518,415)
Sale of tangible fixed assets	30,330	1,500
Interest received	418	937
Net cash from investing activities	<u>(1,589,253)</u>	<u>(515,978)</u>

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2017

	2017 £	2016 £
Cash flows from financing activities		
Repayment of loans	(82,844)	(79,764)
Repayment of finance leases	44,363	(243,595)
Dividends paid	(206,000)	-
Interest paid	(48,750)	(57,617)
Net cash used in financing activities	<u>(293,231)</u>	<u>(380,976)</u>
Net increase in cash and cash equivalents	<u>378,416</u>	<u>308,217</u>
Cash and cash equivalents at beginning of year	635,109	326,892
Cash and cash equivalents at the end of year	<u><u>1,013,525</u></u>	<u><u>635,109</u></u>
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	<u><u>1,013,525</u></u>	<u><u>635,109</u></u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

1. General information

R & D Europe Limited (the "Company") was incorporated in the UK for the primary purpose of a holding company. The registered office of the company is Leverage House, Hamilton Road, Sutton in Ashfield, Nottinghamshire, NG17 5LD.

2. Accounting policies**2.1 Basis of preparation of financial statements**

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires 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 Group and its own subsidiary ("the Group") as they formed 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 Income and Retained Earnings from the date on which control is obtained. They are deconsolidated from the date control ceases.

2.3 Going concern

After making appropriate enquiries and reviewing budgets, profit and cash flow forecasts and business plans which cover the period to December 2019, the Directors have formed a judgement at the time of approving the Financial Statements that there is a reasonable expectation that the company has sufficient resources and available facilities to continue in operational existence for the foreseeable future. For this reason, the Directors consider the adoption of the going concern basis in preparing the Financial Statements is appropriate.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

2. Accounting policies (continued)**2.4 Revenue**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the Group has transferred the significant risks and rewards of ownership to the buyer;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the Group will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

2.5 Intangible assets**Goodwill**

Goodwill represents the difference between amounts paid on the cost of a business combination and the acquirer's interest in the fair value of the Group's share of its identifiable assets and liabilities of the acquiree at the date of acquisition. Subsequent to initial recognition, Goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight line basis to the Consolidated statement of income and retained earnings over its useful economic life.

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 ten years.

2.6 Tangible fixed assets

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

The Group adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the Group. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

2. Accounting policies (continued)

2.6 Tangible fixed assets (continued)

Land is not depreciated. Depreciation on other assets is charged so as to allocate the cost of assets less their residual value over their estimated useful lives. The estimated useful lives range as follows:

Depreciation is provided on the following basis:

Freehold property	- 4% and 5% straight line
Plant & machinery	- 13%-33% straight line & 15% reducing balance
Motor vehicles	- 25% straight line
Fixtures & fittings	- 15% - 50% reducing balance & 25% straight line

2.7 Operating leases: Lessee

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

2.8 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

Investments in unlisted Group shares, whose market value can be reliably determined, are remeasured to market value at each balance sheet date. Gains and losses on remeasurement are recognised in the Consolidated statement of income and retained earnings for the period. Where market value cannot be reliably determined, such investments are stated at historic cost less impairment.

2.9 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 first in, first out 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 the Consolidated statement of income and retained earnings.

2.10 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

2. Accounting policies (continued)**2.11 Cash and cash equivalents**

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

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

2.12 Financial instruments

The Group only 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.

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 outright 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 cost and 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 Consolidated statement of income and retained earnings.

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, 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

2. Accounting policies (continued)**2.13 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.

2.14 Government grants

Grants are accounted under the accruals model as permitted by FRS 102. Grants relating to expenditure on tangible fixed assets are credited to the Consolidated statement of income and retained earnings at the same rate as the depreciation on the assets to which the grant relates. The deferred element of grants is included in creditors as deferred income.

Grants of a revenue nature are recognised in the Consolidated statement of income and retained earnings in the same period as the related expenditure.

2.15 Foreign currency translation**Functional and presentation currency**

The Company's functional and presentational currency is GBP.

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 income and retained earnings 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 income and retained earnings within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Consolidated statement of income and retained earnings within 'other operating income'.

2.16 Finance costs

Finance costs are charged to the Consolidated statement of income and retained earnings 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

2. Accounting policies (continued)**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. Dividends on shares recognised as liabilities are recognised as expenses and classified within interest payable.

2.18 Leased assets: Lessee

Assets obtained under hire purchase contract and finance leases are capitalised as tangible fixed assets. Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives. Assets acquired by hire purchase are depreciated over their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the company. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the Consolidated statement of income and retained earnings so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

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 payment obligations.

The contributions are recognised as an expense in the Statement of income and retained earnings 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 Interest income

Interest income is recognised in the Consolidated statement of income and retained earnings using the effective interest method.

2.21 Borrowing costs

All borrowing costs are recognised in the Consolidated statement of income and retained earnings in the year in which they are incurred.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

2. Accounting policies (continued)**2.22 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 Consolidated statement of income and retained earnings in the year that the Group becomes aware of the obligation, and are measured at the best estimate at the Statement of Financial Position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of Financial Position.

2.23 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of income and retained earnings, except that a charge 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; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

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

Estimates and judgements are continually evaluated and are based on historical experience and factors, including expectations of future events that are believed to be reasonable under the circumstances.

Impairment of debtors

The group makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management consider factors including the current credit rating of the debtor, the ageing profile and the historical experience of the debtor. See note 16 for the net carrying amount of debtors and the associated movement in impairment provision.

Useful economic life of tangible assets

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful lives and residual values. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates based on future investments, economic utilisation and the physical condition of the assets. See note 13 for the carrying amount of property, plant and equipment and note 2.6 for the useful economic lives for each asset classification.

Impairment of stock

The group manufactures tooling equipment to order and therefore provides against all of the raw materials that are held at the year end as no reliable estimate can be made of if and when the raw materials will be used. See note 15 for the net carrying amount of stock and the associated movement in impairment provision.

4. Turnover

The whole of the turnover is attributable to the design and manufacture of tooling.

Analysis of turnover by country of destination:

	2017 £	2016 £
United Kingdom	1,247,444	1,561,662
Rest of Europe	4,575,804	3,235,952
Rest of the world	1,866,943	1,648,552
	<u>7,690,191</u>	<u>6,446,166</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

5. Operating profit

The operating profit is stated after charging:

	2017 £	2016 £
Depreciation of tangible fixed assets	693,352	620,901
Amortisation of intangible assets, including goodwill	-	9,985
Fees payable to the Group's auditor and its associates for the audit of the Company's annual financial statements	16,850	12,250
- The audit of the Group's subsidiaries pursuant to legislation	-	2,750
All other services	-	650
Exchange differences	(30,407)	(194,982)
Bad debt expense	(27,837)	30,747
	<u>693,352</u>	<u>620,901</u>

6. Employees

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

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Wages and salaries	2,885,561	2,770,165	-	-
Social security costs	297,505	286,232	-	-
Cost of defined contribution scheme	62,042	45,978	-	-
	<u>3,245,108</u>	<u>3,102,375</u>	<u>-</u>	<u>-</u>

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

	2017 No.	2016 No.
Number of production staff	57	53
Number of distribution staff	6	6
Number of administration staff	25	25
	<u>88</u>	<u>84</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

7. Directors' remuneration

	2017 £	2016 £
Directors' emoluments	128,958	113,537
Directors pension costs	8,875	7,835
	<u>137,833</u>	<u>121,372</u>

The Directors are considered the key management personnel.

8. Interest receivable

	2017 £	2016 £
Other interest receivable	418	937

9. Interest payable and similar charges

	2017 £	2016 £
Bank interest payable	22,871	25,936
Finance leases and hire purchase contracts	25,879	31,681
	<u>48,750</u>	<u>57,617</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

10. Taxation

	2017 £	2016 £
Corporation tax		
Current tax on profits for the year	140,577	115,885
Adjustments in respect of previous periods	(160,681)	(63,010)
Total current tax	<u>(20,104)</u>	<u>52,875</u>
Deferred tax		
Origination and reversal of timing differences	16,394	(13,545)
Total deferred tax	<u>16,394</u>	<u>(13,545)</u>
Taxation on (loss)/profit on ordinary activities	<u>(3,710)</u>	<u>39,330</u>

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2016 - lower than) the standard rate of corporation tax in the UK of 19.25% (2016 - 20%). The differences are explained below:

	2017 £	2016 £
Profit on ordinary activities before tax	768,206	465,605
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.25% (2016 - 20%)	147,880	93,121
Effects of:		
Non-tax deductible amortisation of goodwill and impairment	-	1,997
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	429	1,498
Capital allowances for year in excess of depreciation	15,542	16,135
Adjustments to tax charge in respect of prior periods	(160,681)	(63,010)
Non-taxable income	(753)	(782)
Other differences leading to an increase/(decrease) in taxation	5,576	(326)
Changes in effective tax rates	-	(9,284)
Deferred tax not recognised	(11,703)	(19)
Total tax charge for the year	<u>(3,710)</u>	<u>39,330</u>

Included in the adjustments to the tax charge in respect of prior periods is £44,963 (2016: £60,084) representing research and development tax credits.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

10. Taxation (continued)**Factors that may affect future tax charges**

There were no factors that may affect future tax charges.

11. Dividends

	2017 £	2016 £
Dividends paid	<u>206,000</u>	<u>-</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

12. Tangible fixed assets

Group

	Freehold property £	Plant & machinery £	Motor vehicles £	Fixtures & fittings £	Total £
Cost or valuation					
At 1 January 2017	2,654,414	6,382,019	55,495	403,099	9,495,027
Additions	92,085	1,519,057	-	8,859	1,620,001
Disposals	-	(408,119)	-	-	(408,119)
At 31 December 2017	<u>2,746,499</u>	<u>7,492,957</u>	<u>55,495</u>	<u>411,958</u>	<u>10,706,909</u>
Depreciation					
At 1 January 2017	632,788	4,060,025	45,088	321,078	5,058,979
Charge for the year on owned assets	96,474	557,310	3,250	36,218	693,252
Charge for the year on financed assets	-	-	100	-	100
Disposals	-	(389,619)	-	-	(389,619)
At 31 December 2017	<u>729,262</u>	<u>4,227,716</u>	<u>48,438</u>	<u>357,296</u>	<u>5,362,712</u>
Net book value					
At 31 December 2017	<u>2,017,237</u>	<u>3,265,241</u>	<u>7,057</u>	<u>54,662</u>	<u>5,344,197</u>
At 31 December 2016	<u>2,021,626</u>	<u>2,321,994</u>	<u>10,407</u>	<u>82,021</u>	<u>4,436,048</u>

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

	2017 £	2016 £
Plant and machinery	<u>1,160,056</u>	<u>1,195,155</u>

Included within freehold property is land at cost of £610,872 (2016: £610,872) which is not subject to depreciation.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

13. Fixed asset investments

Company

	Investment in subsidiary company £
Cost or valuation	
At 1 January 2017	683,212
At 31 December 2017	683,212
Net book value	
At 31 December 2017	683,212
At 31 December 2016	683,212

14. Stocks

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Work in progress (goods to be sold)	597,837	638,297	-	-

The difference between purchase price or production cost of stocks and their replacement cost is not material.

Stock recognised in cost of sales during the year as an expense was £4,329,826 (2016: £3,500,533).

Stock is stated after provisions for impairment of £115,669 (2016: £69,255) due to slow-moving and obsolete stock.

R & D EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

15. Debtors

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Trade debtors	353,730	592,501	-	-
Other debtors	327,583	126,620	-	-
	<u>681,313</u>	<u>719,121</u>	<u>-</u>	<u>-</u>

Trade debtors are stated after provisions for impairment of £Nil (2016: £30,734).

16. Cash and cash equivalents

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Cash at bank and in hand	<u>1,013,525</u>	<u>635,109</u>	<u>-</u>	<u>-</u>

17. Creditors: Amounts falling due within one year

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Bank loans	75,282	72,580	-	-
Payments received on account	804,099	644,788	-	-
Trade creditors	915,032	420,394	-	-
Amounts owed to group undertakings	325,705	320,983	-	-
Corporation tax	140,577	115,885	-	-
Other taxation and social security	117,645	113,554	-	-
Obligations under finance lease and hire purchase contracts	232,679	290,024	-	-
Accruals and deferred income	159,388	167,654	-	-
	<u>2,770,407</u>	<u>2,145,862</u>	<u>-</u>	<u>-</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

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

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Bank loans	752,194	837,740	-	-
Net obligations under finance leases and hire purchase contracts	446,548	344,840	-	-
	1,198,742	1,182,580	-	-

19. Loans

The bank borrowings are secured by a fixed and floating charge over all the assets of the company. Interest is being charged on the borrowing at 3.15% above the Bank of England base rate.

Amounts due under finance leases and hire purchase agreements are secured on the assets to which the agreement relates

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Amounts falling due within one year				
Bank loans	75,282	72,580	-	-
Amounts falling due 2-5 years				
Bank loans	752,194	288,190	-	-
Amounts falling due after more than 5 years				
Bank loans	-	549,550	-	-

R & D EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

20. Hire purchase and finance leases

Minimum lease payments under hire purchase fall due as follows:

	2017 £	2016 £
Group		
Within one year	250,904	308,597
Between 1 - 5 years	465,310	361,067
Less: finance charges	(36,987)	(34,800)
	<u>679,227</u>	<u>634,864</u>

There were no hire purchase agreements within the company.

21. Financial instruments

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Financial assets				
Trade debtors	353,730	592,501	-	-
	<u>353,730</u>	<u>592,501</u>	<u>-</u>	<u>-</u>
Financial liabilities				
Trade creditors	915,032	420,394	-	-
Bank loans	827,476	910,320	-	-
Obligations under finance lease and hire purchase contracts	679,227	634,864	-	-
Amounts owed to group companies	325,705	320,983	-	-
Accruals	159,388	167,654	-	-
	<u>2,906,828</u>	<u>2,454,215</u>	<u>-</u>	<u>-</u>

Financial assets and liabilities are measured at amortised cost.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

22. Deferred taxation

Group

	2017 £	2016 £
At beginning of year	(164,481)	(178,026)
Charged to profit or loss	(16,394)	13,545
At end of year	(180,875)	(164,481)

At end of year

There is no deferred tax in relation to the parent company. The provision for deferred taxation is made up as follow

	Group 2017 £	Group 2016 £
Accelerated capital allowances	(180,875)	(164,481)
	(180,875)	(164,481)

23. Deferred grant income

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Grants	89,421	104,141	-	-

24. Reserves

Profit & loss account

Includes all current and prior periods retained profits and losses.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

25. Share capital

	2017 £	2016 £
Shares classified as equity		
Allotted, called up and fully paid		
250,000 Ordinary shares of £1 each	<u>250,000</u>	<u>250,000</u>

26. Contingent liabilities

R & D Tool & Engineering Co has provided a guarantee over the borrowings of its subsidiary company, R & D Tool & Engineering Limited.

There is a £300,000 agreed postponement on the inter company loan account between R & D Tool & Engineering Co and its subsidiary company, R & D Tool & Engineering Limited.

The group received grant funding during prior years. The grant paying bodies have the right to review the conditions required by the grant offers and may be entitled in some situations to reclaim parts of the grant for a period after the grant is utilised. The directors are confident that the likelihood of such grants being reclaimed is small.

27. Capital commitments

The company had a capital commitment at 31 December 2017 to acquire a drill plan at a value of £431k (2016: £nil).

28. Pension commitments

The Company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to £53,167 (2016: £27,200). Contributions totalling £4,040 (2016: £3,141) were payable to the fund at the balance sheet date.

29. Commitments under operating leases

At 31 December 2017 the Group and the Company had no future minimum lease payments under non-cancellable operating leases. 2016 commitments are shown below.

	Group 2016 £	Company 2016 £
Not later than 1 year	156	-
Later than 1 year and not later than 5 years	-	-
	<u>156</u>	<u>-</u>

R & D EUROPE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

30. Related party transactions

Transactions with R & D Tool and Engineering Co., the ultimate parent undertaking were as follows:

The company made sales of £89 (2016: £2,170) and were invoiced for purchases of £405,272 (2016: £474,780). The company incurred management charges of £238,844 (2016: £204,289) and royalties of £476,981 (2016: £455,717).

£206,000 dividend was declared or paid during the year (2016: £Nil).

At the year end the balance owed to R & D Tool & Engineering Co. was £325,705 (2016: £320,983).

31. Controlling party

The directors consider that the ultimate parent undertaking of this company is R & D Tool & Engineering Co, incorporated in the United States of America.