Registered number: 03994849

AGR AUTOMATION LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

AGR AUTOMATION LIMITED

COMPANY INFORMATION

DIRECTORS	Mr R D S Gaston Mrs S M Gaston
COMPANY SECRETARY	Mrs S M Gaston
REGISTERED NUMBER	03994849
REGISTERED OFFICE	Old Library Chambers 21 Chipper Lane Salisbury Wiltshire England SP1 1BG
TRADING ADDRESS	Elliot Industrial Estate Arbroath DD11 2NJ
INDEPENDENT AUDITORS	Nexia Smith & Williamson Chartered Accountants & Statutory Auditor Imperial House 18-21 Kings Park Road Southampton Hampshire SO15 2AT
BANKERS	Clydesdale Bank plc Arbroath Angus DD11 1DP

AGR AUTOMATION LIMITED

CONTENTS

STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2015

STRATEGY

From its base in Scotland AGR Automation Ltd provides bespoke automation solutions to industrial clients. The company has developed a strong global reputation in the medical device industry and the majority of projects are undertaken in this sector. AGR also has a strong reputation in the personal grooming manufacturing industry and has recently secured contracts with new clients in other high value manufacturing sectors.

AGR primary capabilities lie in automating difficult and demanding assembly processes and in developing high speed/high capability part feed systems for such assembly operations.

The company's strategy is to grow organically through high penetration into key strategic clients across client manufacturing plants located in multiple global locations. Repeated contract awards from key clients is therefore central to AGR's strategy. Critical to the success of this strategy is maintenance of AGR Automation's reputation for excellence with its key clients and addition of a new strategic partner every 2-3 years.

AGR Automation's business model is based on high utilisation of project personnel and minimisation of operating overheads to enable the business to compete with global competitors which currently exhibit much larger scale and may have exchange rate advantages from time to time. The company has furthered developed its strategy of building in-house expertise in key technological areas (such as machine vision analysis) rather than relying, as do a number of competitors, on external third party provision.

The company has operating sites in Scotland and Northern Ireland providing multi-site strategic reassurance to key clients and facilitating growth by access to a wide labour pool.

BUSINESS ENVIRONMENT

The industry sectors occupied by the company's clients tend to be buffered from macro economic factors. AGR's projects are awarded as a result of client capital investment decisions which are in turn dictated by key strategic projects within these clients. End user sales of client products are often immune from normal economic factors and even where those influences are present the effects are often sufficiently short term that impact on strategic product release and resultant manufacturing investment programmes is limited.

However the company's clients have unpredictable investment cycles and, due to the scale of typical projects as a percentage of AGR sales revenue, the company must at times manage significantly fluctuating workloads. The principal risks and uncertainties for the company relate to:

1. the potential that the majority of key clients may fail to have suitable capital projects in any given year thereby inducing a significant temporary drop in the available market;

2. the risk that a demanding project is significantly under-scoped resulting in significant project losses in order to complete commitments; and

3. constraint on growth resulting from low availability of appropriately skilled labour.

AGR mitigates the first of these risks by seeking to retain relationships with a number of key clients any one of which may invest in significant projects in any given period; the second by utilising its 50 years of experience in scoping and supplying bespoke automation; and the third by way of its widened strategy of an additional operating site in Northern Ireland.

BUSINESS PERFORMANCE

2014 resulted in AGR Automation's strongest operating performance to that date; progressing from that, 2015 has again been AGR Automation's most positive financial year; this has resulted in revenue growth of approximately 25% compared to 2014 and another record operating profit. The significant effort expended in securing large contracts with new clients and in advancing key anticipated future projects resulted in continued order book growth.

STRATEGIC REPORT (continued)

The company focuses on three KPI's:

1 Annual Operating Profit (excluding Charitable Giving £614k (2014: £128k))
2 Three-Year Rolling Average Operating Profit (to eliminate cyclicality)
3 Net Current Assets/Administration Costs (excluding Charitable Giving)

These have performed as follows:

	2015	2014	% change
	£K	£K	
Annual Operating Profit	3,342	2,086	60%
Three-Year Rolling Average Operating Profit	2,245	1,118	100%
Retained Profit/Administration Costs	10.2	8.5	20%

The continued strengthening of the underlying business activity through growing commitment from blue chip clients has allowed the company to continue to strengthen and retain key skill areas. As planned, the company has strengthened management resource in 2015 by addition of one or two key roles and is currently undertaking an operational improvement programme involving 5s and improved internal IT systems.

The company is now targeting a period of stability for 2-3 years with modest/flat growth to enable a period of consolidation. The business continues to be profitable and to strengthen its financial position however, for the first half of 2016, much lower activity levels are expected due to temporary delays in client project release.

The company continues to experience an unprecedented level of large project business opportunities and continues to develop relationships with new clients as part of its strategy to develop a balanced portfolio of key high-end automation customers. AGR continues to review its strategic options to facilitate its ability to take on these increasing opportunities.

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

RDS Gaston
....
Mr R D S Gaston
Director

Date: 4.5.16

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2015

The directors present their report and the financial statements for the year ended 31 December 2015.

PRINCIPAL ACTIVITY

The principal activity of the company continued to focus on providing automation solutions for the medical device, pharmaceutical and personal care manufacturing industries although the company has continued to secure contracts with new clients in other high value manufacturing sectors.

RESULTS

The profit for the year, after taxation, amounted to £2,326,128 *(2014 - £1,709,383)*.

DIRECTORS

The directors who served during the year were:

Mr R D S Gaston
Mrs S M Gaston

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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 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 satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

RESEARCH AND DEVELOPMENT ACTIVITIES

The company is committed to research and development activities in order to continue to expand and develop its product range and market share. During the year £671,271 (2014: £670,568) of costs attributable to research and development have been incurred.

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2015

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'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's auditors are aware of that information.

AUDITORS

Under section 487(2) of the Companies Act 2006, Nexia Smith & Williamson will be deemed to have been reappointed as auditors 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the accounts with the registrar, whichever is earlier.

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

RDS Gaston
....
Mr R D S Gaston
Director

Date: 4.5.16

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF AGR AUTOMATION LIMITED

We have audited the financial statements of AGR Automation Limited for the year ended 31 December 2015, set out on pages 7 to 28. The financial reporting framework that has been applied in their preparation is applicable law including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

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 Auditors' Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As explained more fully in the 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. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF AGR AUTOMATION LIMITED

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Nexia Smith & Williamson

Christopher Appleton (Senior Statutory Auditor)

for and on behalf of
Nexia Smith & Williamson

Chartered Accountants & Statutory Auditor

Imperial House
18-21 Kings Park Road
Southampton
Hampshire
SO15 2AT
Date: 12.5.16

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	2015 £	*2014* *£*
Turnover		**15,783,636**	*12,569,187*
Cost of sales		**(11,727,215)**	*(9,982,952)*
Gross profit		**4,056,421**	*2,586,235*
Distribution costs		**(127,497)**	*(92,049)*
Administrative expenses		**(1,252,766)**	*(614,196)*
Other operating income		**52,000**	*80,000*
Operating profit		**2,728,158**	*1,959,990*
Interest receivable and similar income	8	**5,659**	*9,922*
Interest payable and expenses	9	**(36,522)**	*(19,447)*
Profit before tax		**2,697,295**	*1,950,465*
Tax on profit	10	**(371,167)**	*(241,082)*
Profit for the year		**2,326,128**	*1,709,383*

There were no recognised gains and losses for 2015 or 2014 other than those included in the profit and loss account.

The notes on pages 13 to 28 form part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	2015 £	*2014* *£*
Profit for the financial year		**2,326,128**	*1,709,383*
Total comprehensive income for the year		**2,326,128**	*1,709,383*

BALANCE SHEET
AS AT 31 DECEMBER 2015

	Note		2015 £		2014 £
Fixed assets					
Tangible assets	11		836,054		846,118
			836,054		846,118
Current assets					
Stocks	12	215,469		166,707	
Debtors: amounts falling due within one year	13	2,203,854		3,873,926	
Cash at bank and in hand	14	7,241,289		4,721,639	
		9,660,612		8,762,272	
Creditors: amounts falling due within one year	15	(3,136,137)		(4,620,577)	
Net current assets			6,524,475		4,141,695
Total assets less current liabilities			7,360,529		4,987,813
Creditors: amounts falling due after more than one year	16		(317,261)		(347,619)
Provisions for liabilities					
Deferred tax		(30,316)		(32,443)	
Other provisions	20	(346,360)		(165,461)	
			(376,676)		(197,904)
Net assets			6,666,592		4,442,290
Capital and reserves					
Called up share capital	22		2		2
Profit and loss account	21		6,666,590		4,442,288
			6,666,592		4,442,290

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

RDS Gaston

Mr R D S Gaston
Director

Date: 4.5.16

The notes on pages 13 to 28 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
AS AT 31 DECEMBER 2015

	Share capital	Retained earnings	Total equity
	£	£	£
At 1 January 2015	2	4,442,288	4,442,290
Profit for the year	-	2,326,128	2,326,128
Contributions by and distributions to owners			
Dividends: Equity capital	-	(101,826)	(101,826)
AT 31 December 2015	2	6,666,590	6,666,592

STATEMENT OF CHANGES IN EQUITY
AS AT 31 DECEMBER 2014

	Share capital	Retained earnings	Total equity
	£	£	£
At 1 January 2014	2	2,881,165	2,881,167
Profit for the year	-	1,709,383	1,709,383
Dividends: Equity capital	-	(148,260)	(148,260)
AT 31 December 2014	2	4,442,288	4,442,290

The notes on pages 13 to 28 form part of these financial statements.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2015

	2015 £	2014 £
Cash flows from operating activities		
Profit for the financial year	**2,326,128**	*1,709,383*
Adjustments for:		
Depreciation of tangible assets	**98,061**	*67,663*
Increase in stocks	**(48,762)**	*12,308*
Interest paid	**36,522**	*19,447*
Taxation	**149,291**	*157,206*
Decrease/(Increase) in debtors	**1,670,072**	*(1,208,653)*
(Decrease)/Increase in creditors	**(1,637,813)**	*1,153,498*
Increase in provisions	**180,899**	*60,590*
Net cash generated from operating activities	**2,774,398**	*1,971,442*
Cash flows from investing activities		
Purchase of tangible fixed assets	**(87,997)**	*(145,338)*
Net cash from investing activities	**(87,997)**	*(145,338)*
Cash flows from financing activities		
Repayment of loans	**(28,403)**	*(26,840)*
Dividends paid	**(101,826)**	*(148,260)*
Interest paid	**(36,522)**	*(19,447)*
Net cash used in financing activities	**(166,751)**	*(194,547)*
Net increase / (decrease) in cash and cash equivalents	**2,519,650**	*1,631,557*
Cash and cash equivalents at beginning of year	**4,721,639**	*3,090,082*
Cash and cash equivalents at the end of year	**7,241,289**	*4,721,639*
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	**7,241,289**	*4,721,639*
	7,241,289	*4,721,639*

1. ACCOUNTING POLICIES

1.1 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.

Information on the impact of first-time adoption of FRS 102 is given in note 27.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 2).

The following principal accounting policies have been applied:

1.2 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company 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:

Rendering of services

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably, and;
- the costs incurred and the costs to complete the contract can be measured reliably.

1.3 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 Company 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 Company. 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.

1. ACCOUNTING POLICIES (continued)

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method. The estimated useful lives range as follows:

The estimated useful lives range as follows:

Freehold property	-	2% straight line
Land	-	Not depreciated
Plant & machinery	-	20-33% straight line
Motor vehicles	-	25% straight line
Computer and office equipment	-	33% 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 within 'other operating income' in the Income Statement.

1.4 Operating Leases

Rentals paid under operating leases are charged to the profit or loss on a straight line basis over the period of the lease.

1.5 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 balance sheet 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.

1.6 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.

1.7 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 Statement of Cash Flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Company's cash management.

1.8 Financial instruments

The Company 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

1. ACCOUNTING POLICIES (continued)

1.8. Financial instruments (continued)

banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

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 Profit and Loss Account.

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 Company would receive for the asset if it were to be sold at the balance sheet date.

1.9 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.

1.10 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 Profit and Loss Account except when deferred in other comprehensive income as qualifying cash flow hedges.

1. ACCOUNTING POLICIES (continued)

1.11 Finance costs

Finance costs are charged to the Profit and Loss Account 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.

1.12 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.

1.13 Pensions

Defined contribution pension plan

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

The contributions are recognised as an expense in the Profit and Loss Account when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the Company in independently administered funds.

1.14 Interest income

Interest income is recognised in the Profit and Loss Account using the effective interest method.

1.15 Borrowing costs

All borrowing costs are recognised in the Profit and Loss Account in the year in which they are incurred.

1.16 Provisions for Liabilities

Provisions are made where an event has taken place that gives the Company 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 Profit and Loss Account in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet 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 Balance Sheet.

1. ACCOUNTING POLICIES (continued)

1.17 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Profit and Loss Account, 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 balance sheet date in the countries where the Company operates and generates income.

Deferred balances are recognised in respect of all timing differences that have originated but not reversed by the Balance Sheet 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 income tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

1.18 Research and development

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

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

2. JUDGEMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Estimates and judgements are evaluated at each reporting date and are based on historical experience as adjusted for current market conditions and other factors. Management makes estimates and assumptions concerning the future in preparing the financial statements and the actual results will not always reflect the accounting estimates made. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities of the Company are outlined below.

Long Term Contracts

Revenue is recognised on long term contracts, if the final outcome can be assessed with reasonable certainty and more than 30% of the project is complete, by including in the Profit and Loss account turnover and related costs as contract activity progresses. Turnover is calculated as that proportion of total contract value which labour hours to date bear to total expected labour hours for that contract.

Amounts recoverable on long term contracts, which are included in debtors, are stated at the net sales value of the work done after provision for contingencies and anticipated future losses on contracts, less amounts received as progress payments on account. Excess progress payments are included in creditors as payments on account.

Warranties

The company's products are commonly sold with a warranty. During this period, the company warrants to repair the products in the event that they fail to work properly. The company makes provision for these potential costs as an estimated percentage of the net sales revenue which is then released (if unused) to the profit and loss account on a straight line basis over the period of the warranty. This provision is not discounted. Details regarding the provision and the amount released to the Statement of comprehensive income are detailed in note 10.

Tangible fixed assets - useful life

An assessment is performed in assessing the asset lives and associated residual values of all fixed asset classes in line with normal maintenace. Management have concluded that the asset lives and residual values of the tangible fixed assets are appropiate.

3. ANALYSIS OF TURNOVER

Analysis of turnover by country of destination:

	2015 £	*2014* *£*
United Kingdom	**976,855**	*1,282,941*
Rest of Europe	**11,703,153**	*9,335,028*
Rest of the world	**3,103,628**	*1,951,218*
	15,783,636	*12,569,187*

4. OTHER OPERATING INCOME

	2015 £	*2014 £*
Other operating income	52,000	*80,000*
	52,000	*80,000*

5. OPERATING PROFIT

The operating profit is stated after charging:

	2015 £	*2014 £*
Depreciation of tangible fixed assets	98,061	*67,663*
Fees payable to the Company's auditor and its associates for the audit of the company's annual accounts	13,150	*12,000*
Defined contribution pension cost	64,807	*45,942*

6. EMPLOYEES

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

	2015 £	*2014 £*
Wages and salaries	3,171,303	*2,470,801*
Social security costs	328,580	*259,374*
Cost of defined contribution scheme	64,807	*45,942*
	3,564,690	*2,776,117*

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

	2015 No.	*2014 No.*
Office/administration	52	*40*
Manufacturing	44	*39*
Directors	2	*2*
	98	*81*

7. DIRECTORS' REMUNERATION

	2015	2014
	£	£
Directors' emoluments	9,911	18,827
Company contributions to defined contribution pension schemes	3,070	2,995
	12,981	21,822

During the year retirement benefits were accruing to 1 director *(2014 - 1)* in respect of defined contribution pension schemes.

8. INTEREST RECEIVABLE

	2015	2014
	£	£
Other interest receivable	5,659	9,922
	5,659	9,922

9. INTEREST PAYABLE AND SIMILAR CHARGES

	2015	2014
	£	£
Bank interest payable	23,430	23,600
Other interest payable	13,092	(4,153)
	36,522	19,447

10. TAXATION

	2015 £	*2014 £*
Corporation tax		
Current tax on profits for the year	**373,312**	*221,876*
Adjustments in respect of previous periods	**(18)**	*(156)*
	373,294	*221,720*
Total current tax	**373,294**	*221,720*
Deferred tax		
Origination and reversal of timing differences	**1,117**	*19,362*
Changes to tax rates	**(3,244)**	*-*
Total deferred tax	**(2,127)**	*19,362*
Taxation on profit on ordinary activities	**371,167**	*241,082*

FACTORS AFFECTING TAX CHARGE FOR THE YEAR

The tax assessed for the year is lower than *(2014 - lower than)* the standard rate of corporation tax in the UK of 20.25% *(2014 - 21.49%)*. The differences are explained below:

	2015 £	*2014 £*
Profit on ordinary activities before tax	**2,697,295**	*1,950,465*
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20.25% (2014 - 21.49%)	**546,110**	*419,183*
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation	**767**	*21,379*
Capital allowances for year in excess of depreciation	**-**	*(20,641)*
Fixed asset differences	**2,947**	*3,192*
Adjustments to tax charge in respect of prior periods	**(18)**	*(156)*
Adjustment in research and development tax credit leading to a decrease in the tax charge	**(175,255)**	*(180,158)*
Adjust closing deferred tax to average rate of 20.25%	**(3,784)**	*-*
Adjust opening deferred tax to average of 20.25%	**400**	*-*
Marginal relief	**-**	*(1,717)*
Total tax charge for the year	**371,167**	*241,082*

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

11. TANGIBLE FIXED ASSETS

	Freehold property	Plant & machinery	Motor vehicles	Computer and office equipment	Total
	£	£	£	£	£
Cost or valuation					
At 1 January 2015	742,660	243,944	21,730	211,561	1,219,895
Additions	-	42,055	-	45,942	87,997
At 31 December 2015	742,660	285,999	21,730	257,503	1,307,892
Depreciation					
At 1 January 2015	76,761	129,176	17,720	150,120	373,777
Charge owned for the period	14,856	46,716	1,572	34,917	98,061
At 31 December 2015	91,617	175,892	19,292	185,037	471,838
At 31 December 2015	651,043	110,107	2,438	72,466	836,054
AT 31 December 2014	*665,899*	*114,768*	*4,010*	*61,441*	*846,118*

12. STOCKS

	2015	*2014*
	£	*£*
Raw materials and consumables	29,781	*38,783*
Finished goods and goods for resale	80,681	*76,474*
Long term contract balances	105,007	*51,450*
	215,469	*166,707*

Long term contract balances consist of:

	2015	*2014*
	£	*£*
Costs to date less provision for losses	105,007	*51,450*
	105,007	*51,450*

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

13. DEBTORS

	2015 £	*2014* *£*
Trade debtors	**1,811,232**	*2,139,814*
Other debtors	**102,589**	*348,362*
Amounts recoverable on long term contracts	**290,033**	*1,385,750*
	2,203,854	*3,873,926*

14. CASH AND CASH EQUIVALENTS

	2015 £	*2014* *£*
Cash at bank and in hand	**7,241,289**	*4,721,639*
	7,241,289	*4,721,639*

15. CREDITORS: Amounts falling due within one year

	2015 £	*2014* *£*
Bank loans	**30,358**	*28,403*
Payments received on account	**1,632,009**	*2,803,393*
Trade creditors	**542,072**	*1,268,925*
Corporation tax	**373,294**	*221,876*
Taxation and social security	**175,581**	*73,165*
Other creditors	**382,823**	*224,815*
	3,136,137	*4,620,577*

16. CREDITORS: Amounts falling due after more than one year

	2015 £	*2014* *£*
Bank loans	**317,261**	*347,619*
	317,261	*347,619*

16. CREDITORS: Amounts falling due after more than one year (continued)

Secured loans

The bank loan is a 15 year mortgage secured on the premises which AGR Automation Limited occupy, it is repayable monthly at a fixed rate of 4.33% plus 1.25% above base rate per annum. The bank loan has a fixed and floating charge over the assets of the company, with a legal first charge over the factory premises.

17. LOANS

Analysis of the maturity of loans is given below:

	2015 £	*2014* *£*
Amounts falling due within one year		
Bank loans	**30,358**	*28,403*
	30,358	*28,403*
Amounts falling due 1-2 years		
Bank loans	**32,194**	*30,358*
	32,194	*30,358*
Amounts falling due 2-5 years		
Bank loans	**109,072**	*102,745*
	109,072	*102,745*
Amounts falling due after more than 5 years		
Bank loans	**175,995**	*214,516*
	175,995	*214,516*

18. FINANCIAL INSTRUMENTS

	2015 £	*2014 £*
Financial assets		
Financial assets (being trade debtors and other debtors) that are debt instruments measured at amortised cost	**1,913,821**	*2,488,176*
	1,913,821	*2,488,176*
Financial liabilities		
Financial liabilities (being Trade creditors, other creditors and bank loans) measured at amortised cost	**(1,272,514)**	*(1,869,762)*
	(1,272,514)	*(1,869,762)*

19. DEFERRED TAXATION

	Deferred tax £
At 1 January 2015	**(32,443)**
Charged to the profit or loss	**2,127**
At 31 December 2015	**(30,316)**

The provision for deferred taxation is made up as follows:

	2015 £	*2014 £*
Accelerated capital allowances	**30,532**	*32,443*
Short term timing differences	**(216)**	*-*
	30,316	*32,443*

20. PROVISIONS

	Product Warranties £
At 1 January 2015	**165,461**
Charged to the profit or loss	**180,899**
At 31 December 2015	**346,360**

21. RESERVES

Profit & loss account

The reserve relates to the cumulative retained earnings less amounts distributed to shareholders.

22. SHARE CAPITAL

	2015 £	*2014 £*
Allotted, called up and fully paid		
2 Ordinary shares of £1 each	**2**	*2*

23. PENSION COMMITMENTS

The company operates a defined contribution pension scheme. The assets of the scheme are held seperately from those of the company in an independently administrated fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £64,807 (2014: £45,942). There were no pension contributions accrued or prepaid at the balance sheet date (2014: £nil).

24. COMMITMENTS UNDER OPERATING LEASES

At 31 December 2015 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2015 £	*2014 £*
Not later than 1 year	**45,986**	*45,986*
Later than 1 year and not later than 5 years	**113,652**	*159,457*
Later than 5 years	**-**	*181*
Total	**159,638**	*205,624*

25. RELATED PARTY TRANSACTIONS

During the year, dividends were paid to the directors who were also the shareholders. Mrs S M Gaston was paid £50,913 (2014: £91,630) and Mr R D S Gaston £50,913 (2014: £56,630).

There are no members of key management personnel beyond the directors.

26. CONTROLLING PARTY

100% of the issued share capital of the company is owned by Mr R D S Gaston and Mrs S M Gaston.

27. FIRST TIME ADOPTION OF FRS 102

The policies applied under the entity's previous accounting framework are not materially different to FRS 102 and have not impacted on equity or profit or loss.