

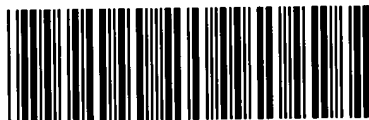
Registered number: 03994849

**AGR AUTOMATION LIMITED**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2016**

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<b>AGR AUTOMATION LIMITED</b>
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**COMPANY INFORMATION**

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**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  
Cumberland House  
15 - 17 Cumberland Place  
Southampton  
Hampshire  
SO15 2BG

**BANKERS**

Clydesdale Bank plc  
Arbroath  
Angus  
DD11 1DP

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**AGR AUTOMATION LIMITED**

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## AGR AUTOMATION LIMITED

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### STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2016

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#### 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's 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 further 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.

#### PRINCIPAL RISKS AND UNCERTAINTIES

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.

## AGR AUTOMATION LIMITED

### STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2016

#### BUSINESS PERFORMANCE

2015 resulted in AGR Automation's strongest operating performance to date. 2016 has seen a much reduced level of activity resulting primarily from a realisation of risk (1) as defined above; a number of major clients have, for varying reasons, delayed capital investment in 2016. This has resulted in a significant temporary decline in annual revenue and in operating profit in 2016. However, in 2016, the Company has demonstrated its ability to cope with the cyclical fluctuations in its market while retaining all members of staff and still returning strong profitability. This experience has proven the underlying strength of the organisation. The significant effort expended in developing large contracts with new clients and in advancing key anticipated future projects has resulted in the strongest pipeline of opportunity in the Company's history.

#### KEY PERFORMANCE INDICATORS

The Company focuses on three KPI's:

- 1 Annual Operating Profit (excluding Charitable Giving)
- 2 Three-Year Rolling Average Operating Profit, excluding Charitable Giving (to eliminate cyclicity)
- 3 Net Current Assets/Administration Costs (excluding Charitable Giving)

These have performed as follows:

	2016 £'000	2015 £'000	% change
Annual Operating Profit	821	3,342	-75%
Three-Year Rolling Average Operating Profit	2,083	2,245	-7%
Retained Profit/Administration Costs	10.5	10.2	3%

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. Despite the lower activity in 2016 the outlook remains very strong and the Company has completed an operational improvement programme involving 5S, continues to plan strengthening of management resource in 2017 by addition of one or two key roles and is currently undertaking implementation of a new ERP system.

The business continues to be profitable and to strengthen its financial position and 2017 is forecast to return strong profitability as the order book and momentum continues to grow.

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.



Mr R D S Gaston  
Director

Date: 24.4.17

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<b>AGR AUTOMATION LIMITED</b>
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**DIRECTORS' REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2016**

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The directors present their report and the financial statements for the year ended 31 December 2016.

**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 they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the Company's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

**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 £733,017 (2015 - £2,326,128).

**DIRECTORS**

The directors who served during the year were:

Mr R D S Gaston  
Mrs S M Gaston

**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 £339,348 (2015: £671,271) of costs attributable to research and development have been incurred.

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**AGR AUTOMATION LIMITED**

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**DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2016**

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**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 the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the 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**

The auditors, Nexia Smith & Williamson, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

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



**Mr R D S Gaston**  
Director

Date: 24.4.17

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**AGR AUTOMATION LIMITED**

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**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF AGR AUTOMATION LIMITED**

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We have audited the financial statements of AGR Automation Limited for the year ended 31 December 2016, which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Cash Flows, the Statement of Changes in Equity and the related notes. The relevant financial reporting framework that has been applied in their preparation is the Companies Act 2006 and the 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'.

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 Financial Reporting Council'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](http://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 2016 and of its profit or loss 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, based on the work undertaken in the course of the audit, 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 those financial statements and such reports have been prepared in accordance with applicable legal requirements.

In the light of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and the Directors' Report.



**AGR AUTOMATION LIMITED**

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF AGR AUTOMATION LIMITED  
(CONTINUED)**

**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

Cumberland House  
15 - 17 Cumberland Place  
Southampton  
Hampshire  
SO15 2BG

Date: 2. 5. 17

**AGR AUTOMATION LIMITED**

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2016**

	Note	2016 £	2015 £
Turnover	4	8,174,543	15,783,636
Cost of sales		<u>(6,618,312)</u>	<u>(11,727,215)</u>
<b>Gross profit</b>		<b>1,556,231</b>	<b>4,056,421</b>
Distribution costs		(105,823)	(127,497)
Administrative expenses		(659,272)	(1,252,766)
Other operating income	5	<u>29,962</u>	<u>52,000</u>
<b>Operating profit</b>	6	<b>821,098</b>	<b>2,728,158</b>
Interest receivable and similar income	9	19,076	5,659
Interest payable and expenses	10	<u>(29,562)</u>	<u>(36,522)</u>
<b>Profit before tax</b>		<b>810,612</b>	<b>2,697,295</b>
Tax on profit	11	<u>(77,595)</u>	<u>(371,167)</u>
<b>Profit for the year</b>		<u><b>733,017</b></u>	<u><b>2,326,128</b></u>
<b>Total comprehensive income for the year</b>		<u><b>733,017</b></u>	<u><b>2,326,128</b></u>

There were no recognised gains and losses for 2016 other than those included in the profit and loss account.

The notes on pages 11 to 26 form part of these financial statements.

**AGR AUTOMATION LIMITED**  
**REGISTERED NUMBER: 03994849**

**BALANCE SHEET**  
**AS AT 31 DECEMBER 2016**

	Note	2016 £	2015 £
<b>Fixed assets</b>			
Tangible assets	12	801,889	836,054
		<u>801,889</u>	<u>836,054</u>
<b>Current assets</b>			
Stocks	13	213,978	215,469
Debtors: amounts falling due within one year	14	2,103,688	2,203,854
Cash at bank and in hand	15	6,742,280	7,241,289
		<u>9,059,946</u>	<u>9,660,612</u>
Creditors: amounts falling due within one year	16	(2,153,064)	(3,136,137)
<b>Net current assets</b>		<u>6,906,882</u>	<u>6,524,475</u>
<b>Total assets less current liabilities</b>		<u>7,708,771</u>	<u>7,360,529</u>
Creditors: amounts falling due after more than one year	17	(285,067)	(317,261)
<b>Provisions for liabilities</b>			
Deferred tax	20	(23,097)	(30,316)
Other provisions	21	(164,668)	(346,360)
		<u>(187,765)</u>	<u>(376,676)</u>
<b>Net assets</b>		<u><u>7,235,939</u></u>	<u><u>6,666,592</u></u>
<b>Capital and reserves</b>			
Called up share capital	23	2	2
Profit and loss account	22	7,235,937	6,666,590
		<u><u>7,235,939</u></u>	<u><u>6,666,592</u></u>

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

  
 .....  
**Mr R D S Gaston**  
 Director

Date: 24.4.17

The notes on pages 11 to 26 form part of these financial statements.

<b>AGR AUTOMATION LIMITED</b>
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**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2016**

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	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 January 2015	2	4,442,288	4,442,290
Profit for the year	-	2,326,128	2,326,128
<b>Total comprehensive income for the year</b>	-	2,326,128	2,326,128
<b>Contributions by and distributions to owners</b>			
Dividends: Equity capital	-	(101,826)	(101,826)
At 1 January 2016	2	6,666,590	6,666,592
Profit for the year	-	733,017	733,017
<b>Total comprehensive income for the year</b>	-	733,017	733,017
<b>Contributions by and distributions to owners</b>			
Dividends: Equity capital	-	(163,670)	(163,670)
<b>At 31 December 2016</b>	<b>2</b>	<b>7,235,937</b>	<b>7,235,939</b>

**AGR AUTOMATION LIMITED**

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2016**

	2016 £	2015 £
<b>Cash flows from operating activities</b>		
Profit for the financial year	733,017	2,326,128
<b>Adjustments for:</b>		
Depreciation of tangible assets	101,045	98,061
Loss on disposal of tangible assets	3,767	-
Interest paid	29,562	36,522
Taxation charge	77,595	149,291
Decrease/(increase) in stocks	1,491	(48,762)
Decrease in debtors	100,166	1,670,072
(Decrease) in creditors	(696,414)	(1,637,813)
(Decrease)/increase in provisions	(181,692)	180,899
Corporation tax (paid)/received	(373,309)	-
<b>Net cash generated from operating activities</b>	<b>(204,772)</b>	<b>2,774,398</b>
<b>Cash flows from investing activities</b>		
Purchase of tangible fixed assets	(71,064)	(87,997)
Sale of tangible fixed assets	417	-
<b>Net cash from investing activities</b>	<b>(70,647)</b>	<b>(87,997)</b>
<b>Cash flows from financing activities</b>		
Repayment of loans	(30,358)	(28,403)
Dividends paid	(163,670)	(101,826)
Interest paid	(29,562)	(36,522)
<b>Net cash used in financing activities</b>	<b>(223,590)</b>	<b>(166,751)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(499,009)</b>	<b>2,519,650</b>
Cash and cash equivalents at beginning of year	7,241,289	4,721,639
<b>Cash and cash equivalents at the end of year</b>	<b>6,742,280</b>	<b>7,241,289</b>
<b>Cash and cash equivalents at the end of year comprise:</b>		
Cash at bank and in hand	6,742,280	7,241,289
	<b>6,742,280</b>	<b>7,241,289</b>

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**AGR AUTOMATION LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016**

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**1. GENERAL INFORMATION**

AGR Automation Limited is a private company incorporated in the United Kingdom under the Companies Act. The address of its registered office is included on the Company information page. The principal activity of the Company is described in the strategic report.

**2. ACCOUNTING POLICIES**

**2.1 Basis of preparation of financial statements**

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK 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 judgment in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied:

**2.2 Revenue**

Turnover 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. Turnover 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**

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

- the Company has transferred the significant risks and rewards of ownership to the buyer;
- the Company 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 Company 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.

**Rendering of services**

Turnover 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.

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**AGR AUTOMATION LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016**

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**2. ACCOUNTING POLICIES (CONTINUED)**

**2.3 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.

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.

Depreciation is provided on the following basis:

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 in the Statement of Comprehensive Income.

**2.4 Operating Leases**

Rentals paid under operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the lease term.

**2.5 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.

**2.6 Debtors**

Short term debtors are measured at transaction price, less any impairment.

**2.7 Cash and cash equivalents**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of no more than 24 hour. 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.

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**AGR AUTOMATION LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016**

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**2. ACCOUNTING POLICIES (CONTINUED)**

**2.8 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 debtors and creditors, loans from 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 Statement of Comprehensive Income.

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

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

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

**2.9 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.

**2.10 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 Statement of Comprehensive Income except when deferred in other comprehensive income as qualifying cash flow hedges.



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**AGR AUTOMATION LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016**

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**2. ACCOUNTING POLICIES (CONTINUED)**

**2.11 Finance costs**

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

**2.12 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.

**2.13 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 payment obligations.

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

**2.14 Interest income**

Interest income is recognised in the Statement of Comprehensive Income using the effective interest method.

**2.15 Borrowing costs**

All borrowing costs are recognised in the Statement of Comprehensive Income in the year in which they are incurred.

**2.16 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 Statement of Comprehensive Income 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.

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<b>AGR AUTOMATION LIMITED</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016**

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**2. ACCOUNTING POLICIES (CONTINUED)**

**2.17 Current and deferred taxation**

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income, except that a 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 balance sheet date in the countries where the Company operates and generates income.

Deferred tax 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 tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

**2.18 Research and development**

Research and development costs are written off to the Profit and loss account in the year in which they are incurred.

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**AGR AUTOMATION LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016**

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**3. 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.

**Construction Contracts**

Revenue is recognised on 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 maintenance. Management have concluded that the asset lives and residual values of the tangible fixed assets are appropriate.

**4. TURNOVER**

Analysis of turnover by country of destination:

	2016 £	2015 £
United Kingdom	559,196	976,855
Rest of Europe	5,521,939	11,703,153
Rest of the World	2,093,408	3,103,628
	<u>8,174,543</u>	<u>15,783,636</u>

All turnover was derived from one class of business.

**AGR AUTOMATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016**

**5. OTHER OPERATING INCOME**

	2016 £	2015 £
Grant income	29,962	52,000
	<u>29,962</u>	<u>52,000</u>

**6. OPERATING PROFIT**

The operating profit is stated after charging:

	2016 £	2015 £
Rent	56,473	53,525
Depreciation of tangible fixed assets	101,045	98,061
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	17,750	13,150
Research and development expenses	339,348	671,271
Defined contribution pension cost	77,652	64,807
Loss on disposal of fixed assets	3,767	-
	<u>3,767</u>	<u>-</u>

**7. EMPLOYEES**

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

	2016 £	2015 £
Wages and salaries	2,850,498	3,171,303
Social security costs	282,771	328,580
Cost of defined contribution scheme	77,652	64,807
	<u>3,210,921</u>	<u>3,564,690</u>

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

	2016 No.	2015 No.
Office/administration	51	52
Manufacturing	45	44
Directors	2	2
	<u>98</u>	<u>98</u>

<b>AGR AUTOMATION LIMITED</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016**

**8. DIRECTORS' REMUNERATION**

	2016 £	2015 £
Directors' emoluments	18,664	9,760
Company contributions to defined contribution pension schemes	2,965	3,070
	21,629	12,830

During the year retirement benefits were accruing to 1 directors (2015 - 1) in respect of defined contribution pension schemes.

**9. INTEREST RECEIVABLE**

	2016 £	2015 £
Other interest receivable	19,076	5,659
	19,076	5,659

**10. INTEREST PAYABLE AND SIMILAR CHARGES**

	2016 £	2015 £
Bank interest payable	20,239	23,430
Other interest payable	9,323	13,092
	29,562	36,522

**AGR AUTOMATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016**

**11. TAXATION**

	2016 £	2015 £
<b>CORPORATION TAX</b>		
Current tax on profits for the year	84,799	373,312
Adjustments in respect of previous periods	15	(18)
	<u>84,814</u>	<u>373,294</u>
<b>TOTAL CURRENT TAX</b>	<u>84,814</u>	<u>373,294</u>
<b>DEFERRED TAX</b>		
Origination and reversal of timing differences	(7,219)	1,117
Changes to tax rates	-	(3,244)
<b>TOTAL DEFERRED TAX</b>	<u>(7,219)</u>	<u>(2,127)</u>
<b>TAXATION ON PROFIT ON ORDINARY ACTIVITIES</b>	<u>77,595</u>	<u>371,167</u>

**FACTORS AFFECTING TAX CHARGE FOR THE YEAR**

The tax assessed for the year is lower than (2015 - *lower than*) the standard rate of corporation tax in the UK of 20% (2015 - 20.25%). The differences are explained below:

	2016 £	2015 £
Profit on ordinary activities before tax	<u>810,612</u>	<u>2,697,295</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2015 - 20.25%)	162,122	546,110
<b>EFFECTS OF:</b>		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	676	767
Fixed asset differences	3,720	2,947
Adjustments to tax charge in respect of prior periods	15	(18)
Adjustment in research and development tax credit leading to an decrease in the tax charge	(88,230)	(175,255)
Adjust closing deferred tax to average rate of 20.25%	(4,076)	(3,784)
Adjust opening deferred tax to average rate of 20.25%	3,368	400
<b>TOTAL TAX CHARGE FOR THE YEAR</b>	<u>77,595</u>	<u>371,167</u>

**AGR AUTOMATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016**

**11. TAXATION (CONTINUED)**

**FACTORS THAT MAY AFFECT FUTURE TAX CHARGES**

On 8 July 2015 the Government announced its intention to propose to Parliament a reduction in the corporation tax rate to 19% for the tax years 2017 to 2020 and 18% for the tax year 2020.

During September 2016 the Government enacted a further reduction in the tax rate to 17% for the tax years from 2020.

**12. TANGIBLE FIXED ASSETS**

	Freehold property £	Plant & machinery £	Motor vehicles £	Computer and office equipment £	Total £
<b>COST OR VALUATION</b>					
At 1 January 2016	742,660	285,999	21,730	257,503	1,307,892
Additions	-	69,801	-	1,263	71,064
Disposals	-	(19,136)	-	(28,484)	(47,620)
At 31 December 2016	742,660	336,664	21,730	230,282	1,331,336
<b>DEPRECIATION</b>					
At 1 January 2016	91,617	175,892	19,292	185,037	471,838
Charge for the period on owned assets	14,854	44,602	1,501	40,088	101,045
Disposals	-	(14,952)	-	(28,484)	(43,436)
At 31 December 2016	106,471	205,542	20,793	196,641	529,447
<b>NET BOOK VALUE</b>					
At 31 December 2016	636,189	131,122	937	33,641	801,889
At 31 December 2015	651,043	110,107	2,438	72,466	836,054

**AGR AUTOMATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016**

**13. STOCKS**

	2016 £	2015 £
Raw materials and consumables	52,497	29,781
Finished goods and goods for resale	106,896	80,681
Long term contract balances	54,585	105,007
	<u>213,978</u>	<u>215,469</u>

Long term contract balances consist of:

	2016 £	2015 £
Costs to date less provision for losses	54,585	105,007
	<u>54,585</u>	<u>105,007</u>

The value of stock which is recognised in cost of sales was £844,427 (2015: £1,884,131).

**14. DEBTORS**

	2016 £	2015 £
Trade debtors	1,826,322	1,811,232
Other debtors	132,144	102,589
Amounts recoverable on long term contracts	145,222	290,033
	<u>2,103,688</u>	<u>2,203,854</u>

**15. CASH AND CASH EQUIVALENTS**

	2016 £	2015 £
Cash at bank and in hand	6,742,280	7,241,289
	<u>6,742,280</u>	<u>7,241,289</u>



# AGR AUTOMATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

### 16. CREDITORS: Amounts falling due within one year

	2016 £	2015 £
Bank loans	32,194	30,358
Payments received on account	1,638,433	1,632,009
Trade creditors	226,672	542,072
Corporation tax	84,799	373,294
Other taxation and social security	86,612	175,581
Other creditors	84,354	382,823
	<u>2,153,064</u>	<u>3,136,137</u>

### 17. CREDITORS: Amounts falling due after more than one year

	2016 £	2015 £
Bank loans	<u>285,067</u>	<u>317,261</u>
	<u>285,067</u>	<u>317,261</u>

#### 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.

<b>AGR AUTOMATION LIMITED</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016**

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**18. LOANS**

Analysis of the maturity of loans is given below:

	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>
<b>AMOUNTS FALLING DUE WITHIN ONE YEAR</b>		
Bank loans	<b>32,194</b>	<b>30,358</b>
	<u><b>32,194</b></u>	<u><b>30,358</b></u>
<b>AMOUNTS FALLING DUE 1-2 YEARS</b>		
Bank loans	<b>34,207</b>	<b>32,194</b>
	<u><b>34,207</b></u>	<u><b>32,194</b></u>
<b>AMOUNTS FALLING DUE 2-5 YEARS</b>		
Bank loans	<b>115,930</b>	<b>109,072</b>
	<u><b>115,930</b></u>	<u><b>109,072</b></u>
<b>AMOUNTS FALLING DUE AFTER MORE THAN 5 YEARS</b>		
Bank loans	<b>134,930</b>	<b>175,995</b>
	<u><b>134,930</b></u>	<u><b>175,995</b></u>
	<u><b>317,261</b></u>	<u><b>347,619</b></u>

**AGR AUTOMATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016**

**19. FINANCIAL INSTRUMENTS**

	2016 £	2015 £
<b>FINANCIAL ASSETS</b>		
Financial assets (being trade debtors and other debtors) that are debt instruments measured at amortised cost	1,958,466	1,913,821
Cash and cash equivalents	6,742,280	7,241,289
	<u>8,700,746</u>	<u>9,155,110</u>
<b>FINANCIAL LIABILITIES</b>		
Financial liabilities (being trade creditors, other creditors and bank loans) measured at amortised cost	(628,287)	(1,272,514)
	<u>(628,287)</u>	<u>(1,272,514)</u>

**20. DEFERRED TAXATION**

	2016 £
At beginning of year	(30,316)
Charged to the profit or loss	7,219
<b>AT END OF YEAR</b>	<u>(23,097)</u>

The provision for deferred taxation is made up as follows:

	2016 £
Fixed asset timing differences	(23,293)
Short term timing difference	196
	<u>(23,097)</u>

<b>AGR AUTOMATION LIMITED</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016**

**21. PROVISIONS**

	<b>Product Warranties £</b>
At 1 January 2016	346,360
Charged to profit or loss	(181,692)
<b>AT 31 DECEMBER 2016</b>	<b>164,668</b>

**22. RESERVES**

**Profit & loss account**

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

**23. SHARE CAPITAL**

	<b>2016 £</b>	<b>2015 £</b>
<b>Shares classified as equity</b>		
<b>Allotted, called up and fully paid</b>		
2 Ordinary shares of £1 each	-	2
50 A Ordinary shares of £0.02 each	1	-
50 B Ordinary shares of £0.02 each	1	-
	<u>2</u>	<u>2</u>

On the 5 May 2016 the 2 ordinary shares of £1 each in the capital of the company were reclassified as and subdivided into, 50 A ordinary shares of £0.02 each and 50 B ordinary shares of £0.02.

**24. PENSION COMMITMENTS**

The company operates a defined contribution 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 £77,652 (2015: £64,807). There were no pension contributions accrued or prepaid at the balance sheet date (2015: £nil).

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**AGR AUTOMATION LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016**

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**25. COMMITMENTS UNDER OPERATING LEASES**

At 31 December 2016 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2016 £	2015 £
Not later than 1 year	45,413	45,986
Later than 1 year and not later than 5 years	68,239	113,652
	<u>113,652</u>	<u>159,638</u>

**26. RELATED PARTY TRANSACTIONS**

During the year, dividends were paid to the directors who were also the shareholders Mrs S M Gaston and Mr R D S Gaston were paid £163,670 (2015: £101,826).

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

**27. CONTROLLING PARTY**

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