

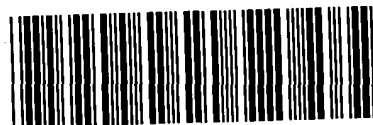
# **Tracerco Limited**

## **Directors' Report and Accounts**

**For the year ended 31 March 2016**

Registered number: 4496566

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# Tracerco Limited

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# Tracerco Limited

## Strategic report

### Principal activity

The company is an industrial technology company providing specialised detection, diagnostic and measurement solutions for the oil and gas industries.

### Performance during and position at the end of the year and future developments

As expected, the company has experienced difficult trading conditions during the year, due to the very significant drop in oil price. The slow-down in activity was seen across the board, with Reservoir and Equipment sales being the most affected. As a result turnover has reduced from £47,916,000 to £39,566,000. The company continues to see less demand for capital purchases and reduced enquiries for services, as customers delay costs for as long as possible. As a result of this downturn in demand, actions were taken to reduce costs. The company is now positioned to maximise on market recovery.

At the end of the year the business had average net assets of £49,427,000 (2015 £51,187,000) excluding cash and net funding from its parent company of £12,602,000 (2015 £15,506,000). As a result, the return on assets (operating profit adjusted for major impairment and restructuring charges over average net assets excluding cash and parent company borrowings) was negative 1.8% (2015 positive 5.7%).

### Principal risks and uncertainties

Business activity varies with the price of the oil. If oil prices fall, or the global economy worsens, this could have a significant effect on income streams.

The business operates globally. Changes in legislation and political conditions around the world can impact the business due to the nature of the work carried out and the various countries in which the business operates.

By order of the board



**S Farrant**

*Secretary*

8 November 2016

# Tracerco Limited

## Directors' report

The directors present their report and audited accounts for the year ended 31 March 2016.

### Results and dividends

The company's loss for the year ended 31 March 2016 is £8,641,000 (2015 profit restated £2,195,000). The profit and loss account is set out on page 4. The directors do not recommend the payment of a final ordinary dividend for the year ended 31 March 2016 (2015 £1,197,000).

### Donations

The company contributed £1,000 (2015 £1,000) to charitable organisations, of which £1,000 (2015 £1,000) was in the UK. No political contributions were made (2015 £ nil).

### Directors

The directors who served during the year were S Farrant, A C Hurst (resigned 25 November 2015), D G Jones (resigned 31 July 2016), G L McGregor (appointed 25 November 2015), G P Otterman, M Pemberton (resigned 28 April 2015), N Pitrat (appointed 28 April 2015, resigned 1 July 2016), S P Robinson and S Slattery. F Bainbridge was appointed on 1 July 2016.

### Directors' indemnity

Under a Deed Poll dated 20 July 2005 the ultimate parent company has granted indemnities in favour of each director of its subsidiaries in respect of any liability that he or she may incur to a third party in relation to the affairs of any group member. Such indemnities were in force during the year ended 31 March 2016 for the benefit of all persons who were directors of the subsidiaries at any time during the year ended 31 March 2016 and remain in force for the benefit of all persons who are directors of the subsidiaries at the date when this report was approved.

### Disclosure of information to auditor

So far as each person currently serving as a director of the company at the date this report is approved is aware, there is no relevant audit information of which the company's auditor is unaware and each director hereby confirms that he or she has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

### Responsibility of the directors for preparation of the Strategic report, Directors' report and the accounts


The directors are responsible for preparing the Strategic report, the Directors' report and the accounts in accordance with applicable law and regulations.

Company law requires the directors to prepare accounts for each financial year. Under that law the directors have elected to prepare the accounts in accordance with UK Accounting Standards – Financial Reporting Standard (FRS) 101 – 'Reduced Disclosure Framework' and applicable law. Under company law the directors must not approve the accounts 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 accounts, the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards – FRS 101 – 'Reduced Disclosure Framework' have been followed; and
- prepare the accounts 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 accounts comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

By order of the board



**S Farrant**

*Secretary*

8 November 2016

# Independent auditor's report to the members of Tracerco Limited

We have audited the accounts of Tracerco Limited for the year ended 31 March 2016 set out on pages 4 to 23. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 101 – 'Reduced Disclosure Framework'.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

## Respective responsibilities of directors and auditor

As explained more fully in the directors' responsibilities statement on page 2, the directors are responsible for the preparation of the accounts and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the accounts in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

## Scope of the audit of the accounts

A description of the scope of an audit of accounts is provided on the Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

## Opinion on accounts

In our opinion the accounts:

- give a true and fair view of the state of the company's affairs as at 31 March 2016 and of its loss for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

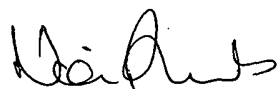
## Opinion on other matter prescribed by the Companies Act 2006

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

## 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 accounts 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.



**Nick Plumb (Senior Statutory Auditor)**  
**for and on behalf of KPMG LLP, Statutory Auditor**  
Chartered Accountants  
Quayside House 110 Quayside  
Newcastle upon Tyne  
NE1 3DX  
11 November 2016

# Tracerco Limited

## Profit and loss account

For the year ended 31 March 2016

	Notes	2016 £'000	2015 restated (note 26) £'000
<b>Turnover</b>	1	39,566	47,916
Cost of sales		(28,603)	(32,008)
<b>Gross profit</b>		10,963	15,908
Selling and distribution costs		(5,866)	(6,489)
Research and development costs		(3,803)	(5,008)
Administrative expenses		(2,196)	(1,477)
Major impairment and restructuring charge	2	(9,146)	-
<b>Operating (loss) / profit</b>		(10,048)	2,934
Interest receivable from ultimate parent company		104	97
<b>(Loss) / profit on ordinary activities before taxation</b>	3	(9,944)	3,031
Taxation	6	1,303	(836)
<b>(Loss) / profit for the year</b>		<b>(8,641)</b>	<b>2,195</b>

## Statement of total comprehensive income

For the year ended 31 March 2016

	2016 £'000	2015 restated (note 26) £'000
<b>(Loss) / profit for the year</b>	<b>(8,641)</b>	<b>2,195</b>
<b>Other comprehensive income:</b>		
Items that may be reclassified subsequently to profit or loss:		
Cash flow hedges	58	(264)
Tax on above items taken directly to or transferred from equity	(14)	53
<b>Other comprehensive income / (expense) for the year</b>	<b>44</b>	<b>(211)</b>
<b>Total comprehensive (expense) / income for the year</b>	<b>(8,597)</b>	<b>1,984</b>

The accompanying notes set out on pages 12 to 23 are an integral part of the accounts.

# Tracerco Limited

## Balance sheet

As at 31 March 2016

	Notes	2016 £'000	2015 restated (note 26) £'000
<b>Fixed assets</b>			
Goodwill	8	16,386	16,386
Intangible fixed assets	9	553	551
Tangible fixed assets	10	15,858	18,875
Investments in subsidiaries	11	-	500
		<u>32,797</u>	<u>36,312</u>
<b>Current assets</b>			
Stocks	12	3,481	4,107
Debtors	13	78,065	47,386
Cash at bank and in hand		3,507	930
		<u>85,053</u>	<u>52,423</u>
<b>Creditors: amounts falling due within one year</b>	14	<u>(84,034)</u>	<u>(44,925)</u>
<b>Net current assets</b>		<u>1,019</u>	<u>7,498</u>
<b>Total assets less current liabilities</b>		<u>33,816</u>	<u>43,810</u>
Creditors: amounts falling due after more than one year	14	(874)	(967)
Provisions for liabilities and charges	16	<u>(2,466)</u>	<u>(2,573)</u>
<b>Net assets</b>		<u><u>30,476</u></u>	<u><u>40,270</u></u>
<b>Capital and reserves</b>			
Called up share capital	18	40,000	40,000
Hedging reserve		(128)	(172)
Profit and loss account		(9,396)	442
<b>Shareholders' funds</b>		<u><u>30,476</u></u>	<u><u>40,270</u></u>

The accounts were approved by the board on 8 November 2016 and signed on its behalf by:

  
S P Robinson  
Director

Company registration number: 4496566

The accompanying notes set out on pages 12 to 23 are an integral part of the accounts.

# Tracerco Limited

## Cash flow statement

For the year ended 31 March 2016

	Notes	2016	2015 restated (note 26)
		£'000	£'000
<b>Cashflows from operating activities</b>			
(Loss) / profit before tax		(10,048)	2,934
Adjustments for:			
Depreciation, amortisation, impairment losses and loss / (profit) on sale of fixed assets		7,480	1,751
Decrease in stocks		626	466
Decrease / (increase) in debtors		7,919	(5,974)
Increase in creditors		2,113	240
Changes in fair value of financial instruments		(60)	264
Income tax paid		(56)	(379)
<b>Net cash inflow / (outflow) from operating activities</b>		<b>7,974</b>	<b>(698)</b>
<b>Cash flows from investing activities</b>			
Interest received		104	97
Purchase of fixed assets and investments	22	(5,119)	(7,081)
Proceeds from sale of tangible fixed assets		1,154	-
<b>Net cash outflow from investing activities</b>		<b>(3,861)</b>	<b>(6,984)</b>
<b>Cash flow from financing activities</b>			
Dividends paid to equity holders		(1,197)	-
<b>Net cash outflow from financing activities</b>		<b>(1,197)</b>	<b>-</b>
<b>Increase / (decrease) in cash and cash equivalents in the year</b>		<b>2,916</b>	<b>(7,682)</b>
Cash and cash equivalents at beginning of year		(15,518)	(7,836)
<b>Cash and cash equivalents at end of year</b>	23	<b>(12,602)</b>	<b>(15,518)</b>

The accompanying notes set out on pages 12 to 23 are an integral part of the accounts.



# Tracerco Limited

## Statement of changes in equity

For the year ended 31 March 2016

	Called up share capital £'000	Hedging reserve restated £'000	Profit and loss account restated £'000	Total equity restated £'000
At 1 April 2014	40,000	-	13	40,013
Restatement (note 26)	-	39	(1,766)	(1,727)
At 1 April 2014 (restated)	40,000	39	(1,753)	38,286
Profit for the year	-	-	2,195	2,195
Cash flow hedges - losses / profits taken to equity	-	(320)	-	(320)
Cash flow hedges - transferred to profit and loss account	-	56	-	56
Tax on items taken directly to or transferred from equity	-	53	-	53
Total comprehensive income	-	(211)	2,195	1,984
Share-based payments	-	-	378	378
Cash paid in relation to share-based payments	-	-	(378)	(378)
At 31 March 2015 (restated)	40,000	(172)	442	40,270
Loss for the year	-	-	(8,641)	(8,641)
Cash flow hedges - losses / profits taken to equity	-	(101)	-	(101)
Cash flow hedges - transferred to profit and loss account	-	159	-	159
Tax on items taken directly to or transferred from equity	-	(14)	-	(14)
Total comprehensive income	-	44	(8,641)	(8,597)
Share-based payments	-	-	276	276
Cash paid in relation to share-based payments	-	-	(276)	(276)
Dividends paid (note 7)	-	-	(1,197)	(1,197)
<b>At 31 March 2016</b>	<b>40,000</b>	<b>(128)</b>	<b>(9,396)</b>	<b>30,476</b>

The accompanying notes are set out on pages 12 to 23 are an integral part of the accounts.

# Tracerco Limited

## Accounting policies

### For the year ended 31 March 2016

#### Basis of preparation

The accounts are prepared in accordance with Financial Reporting Standard (FRS) 101 – ‘Reduced Disclosure Framework’. In preparing these accounts, the company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards (IFRS) as adopted by the European Union but makes amendments where necessary in order to comply with the Companies Act 2006 and has set out below where advantage of FRS 101 disclosure exemptions has been taken.

The accounts are prepared on the historical cost basis, except for certain assets and liabilities which are measured at fair value as explained below.

The company has applied the exemptions under FRS 101 in respect of the following disclosures:

- comparative period reconciliation for share capital, intangible fixed assets and tangible fixed assets;
- capital management policy;
- related party transactions between the company and the parent and other wholly owned subsidiaries of the Johnson Matthey group;
- disclosures in respect of compensation of key management;
- disclosures in relation to new standards not yet applied; and
- a third balance sheet when restating comparative information.

As the consolidated accounts of Johnson Matthey Plc include the equivalent disclosures, the company has also taken the exemptions under FRS 101 available for certain disclosures relating to:

- IFRS 2 – ‘Share-based Payment’;
- International Accounting Standard (IAS) 36 – ‘Impairment of Assets’;
- IFRS 7 – ‘Financial Instruments: Disclosures’; and,
- IFRS 13 – ‘Fair Value Measurement’.

The company has applied the exemption from consolidation under IAS 27 – ‘Separate Financial Statements’. The ultimate parent company (note 25) prepares accounts that comply with IFRS and have been produced for public use.

On transition to FRS 101, the company has applied IFRS 1 – ‘First-time Adoption of International Financial Reporting Standards’ while ensuring that its assets and liabilities are measured in compliance with FRS 101. An explanation of how the transition to FRS 101 has affected the reported financial position and financial performance of the company are provided in note 26. IFRS 1 provides certain exemptions from the full requirements of IFRS in the transition period:

- As a subsidiary which has applied IFRS 1 after its parent company, the company has elected under IFRS 1 to measure its assets and liabilities at the carrying amounts required by IFRS on this subsidiary’s date of transition to IFRS, 1 April 2014.

#### Turnover

Turnover comprises all sales of goods and rendering of services at the fair value of consideration received or receivable after the deduction of any trade discounts and excluding sales taxes. Turnover is recognised when it can be measured reliably and the significant risks and rewards of ownership are transferred to the customer.

With the sale of goods, this occurs when goods are despatched or delivered in line with the International Chamber of Commerce’s International Commercial Terms (Incoterms®) as detailed in the relevant contract;

With the rendering of services, turnover is recognised by reference to the stage of completion as measured by the proportion that costs incurred to date bear to the estimated total costs.

With royalties and licence income, revenue is recognised in accordance with the substance of the relevant agreement. Where they are part of a long term contract with a single overall profit margin, turnover is recognised by reference to the stage of completion of the contract.

# **Tracerco Limited**

## **Accounting policies**

### **For the year ended 31 March 2016**

#### **Long term contracts**

Where the outcome of a long term contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion. This is measured by the proportion that contract costs incurred to date bear to the estimated total contract costs.

Where the outcome of the long term contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recovered. Contract costs are recognised as expenses in the period in which they are incurred.

Where it is probable that the total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

#### **Interest receivable**

Interest is recognised in the profit and loss account in the year incurred.

#### **Foreign currencies**

Transactions denominated in foreign currencies are recorded at the rate of exchange at the date of the transaction or, if hedged, at the forward contract rate. Monetary assets and liabilities denominated in foreign currencies are translated at rates prevailing at the balance sheet date or, if appropriate, at the forward contract rate.

Foreign exchange differences arising on translation are recognised in the profit and loss account.

#### **Grants**

Grants related to assets are included in deferred income and released to the profit and loss account in equal instalments over the expected useful lives of the related assets. Grants related to income are deducted in reporting the related expense.

#### **Research and development**

Expenditure is charged to the profit and loss account in the year incurred.

#### **Goodwill**

Goodwill arises on the acquisition of a business when the fair value of the consideration given exceeds the fair value attributed to the net assets acquired. It is subject to impairment reviews. Acquisition-related costs are charged to the profit and loss account as incurred.

The company has taken advantage of the exemption allowed under IFRS 1 and so goodwill arising on acquisitions made before 1st April 2014 is included at the carrying amount at that date less any subsequent impairment.

#### **Intangible assets**

Intangible assets are stated at cost less accumulated amortisation and any provisions for impairment. They are amortised by using the straight line method over the useful lives from the time they are first available for use. The estimated useful lives vary according to the specific asset but are typically 3 to 10 years.

#### **Tangible fixed assets**

Tangible fixed assets are stated at cost less accumulated depreciation and any provisions for impairment. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset on a straight-line basis over its useful life. The useful lives vary according to the class of the asset but are typically: leasehold improvements 30 years (or the life of the lease if shorter); freehold buildings 30 years; and plant and machinery 4 to 10 years. Freehold land is not depreciated.

# **Tracerco Limited**

## **Accounting policies**

### **For the year ended 31 March 2016**

#### **Investments in subsidiaries**

Investments in subsidiaries are stated at cost less any provisions for impairment. If a distribution is received from a subsidiary then the investment in that subsidiary is assessed for an indication of impairment.

#### **Leases**

Lease costs are expensed on a straight line basis over the lease term.

#### **Stocks**

Stocks are valued at the lower of cost, including attributable overheads, and net realisable value. Except where costs are specifically identified, the first-in, first-out cost formula is used to value inventories.

#### **Taxation**

Current and deferred tax are recognised in the profit and loss account, except when they relate to items recognised directly in equity when the related tax is also recognised in equity.

Current tax is the amount of income tax expected to be paid in respect of taxable profits using the tax rates that have been enacted or substantively enacted at the balance sheet date.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amount in the balance sheet. It is provided using the tax rates that are expected to apply in the period when the asset or liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

#### **Provisions for liabilities and charges and contingencies**

Provisions are recognised when the company has a present obligation as a result of a past event and a reliable estimate can be made of a probable adverse outcome. Otherwise, material contingent liabilities are disclosed unless the transfer of economic benefits is remote. Contingent assets are only disclosed if an inflow of economic benefits is probable.

#### **Derivative financial instruments**

Derivative financial instruments are measured at their fair value. Derivative financial instruments may be designated at inception as cash flow hedges. Derivative financial instruments which are not designated as hedging instruments are classified under IFRS as held for trading, but are used to manage financial risk.

Changes in the fair value of any derivative financial instruments that are not designated as or are not determined to be effective hedges are recognised immediately in the profit and loss account.

Changes in fair value of derivative financial instruments designated as cash flow hedges are recognised in other comprehensive income, to the extent that the hedges are effective. Ineffective portions are recognised in the profit and loss account immediately. If the hedged item results in the recognition of a non-financial asset or liability, the amount previously recognised in the other comprehensive income is transferred out of equity and included in the initial carrying amount of the asset or liability. Otherwise, the amount previously recognised in the other comprehensive income is transferred to the profit and loss account in the same period that the hedged item is recognised in the profit and loss account.

If the hedging instrument expires or is sold, terminated or exercised, the hedge no longer meets the criteria for hedge accounting or the designation is revoked, amounts previously recognised in other comprehensive income remain in equity until the forecast transaction occurs. If a forecast transaction is no longer expected to occur, the amounts previously recognised in other comprehensive income are transferred to the profit and loss account.

#### **Pensions and other retirement benefits**

The company operates a defined contribution scheme and is included in the ultimate parent company's defined benefit scheme. The cost of the company's contributions to these schemes is charged to the profit and loss account as incurred.

# **Tracerco Limited**

## **Accounting policies**

### **For the year ended 31 March 2016**

#### **Share-based payments**

The fair value of outstanding shares allocated to employees under the ultimate parent company long term incentive plan is calculated by adjusting the share price on the date of allocation for the present value of the expected dividends that will not be received. The resulting cost is charged to the profit and loss account over the relevant vesting periods, adjusted to reflect actual and expected levels of vesting where appropriate.

#### **Cash and cash equivalents**

Cash and deposits comprise cash at bank and in hand, including short term deposits with a maturity date of three months or less from the date of acquisition. This includes short term bank overdraft facilities and loans between the company and its ultimate parent company, which are repayable on demand and used as an integral part of its cash management policy.

# Tracerco Limited

## Notes to the accounts

For the year ended 31 March 2016

### 1. Turnover

	2016 £'000	2015 £'000
<u>By activity</u>		
Sale of goods	17,970	19,472
Rendering of services	20,591	27,167
Licence income / royalties	1,005	1,277
	<b>39,566</b>	<b>47,916</b>
<u>By geographical market</u>		
United Kingdom	6,572	12,266
Continental Europe	11,832	7,966
Asia and the Middle East	11,241	17,279
Central and South America	369	174
Rest of World	9,552	10,231
	<b>39,566</b>	<b>47,916</b>

### 2. Major impairment and restructuring charges

Due to the challenging conditions in its markets, the company conducted a restructuring programme. This resulted in a major impairment and restructuring charge of £9,146,000.

	2016 £'000
Impairment of tangible fixed assets	4,581
Termination benefits	2,331
Stock write-down	1,337
Impairment of investment in subsidiary	500
Other restructuring costs	397
	<b>9,146</b>

### 3. Loss on ordinary activities before taxation

	2016 £'000	2015 restated (note 26) £'000
Loss on ordinary activities before taxation is arrived after charging / (crediting):		
Depreciation of tangible fixed assets	2,347	1,688
Amortisation of intangible fixed assets included in cost of sales	65	57
Net (gain) / loss on disposal of tangible assets	(13)	6
Research and development costs	3,803	5,008
Less external funding received - from government grants	(50)	(50)
Fees payable to the company's auditor for the audit of the annual accounts	31	30
Operating lease rentals	837	204

# Tracerco Limited

## Notes to the accounts

For the year ended 31 March 2016

### 4. Employee costs and numbers

	2016 £'000	2015 £'000
Aggregate remuneration comprised:		
Wages and salaries	11,298	13,009
Social security costs	1,092	1,071
Pensions costs (note 24)	1,938	1,748
Share-based payments (note 21)	276	378
Termination benefits (note 2)	2,331	-
	<u>16,935</u>	<u>16,206</u>
	2016 Number	2015 Number
Average monthly number of employees:		
Production	165	175
Sales and distribution	11	11
Research and development	51	54
Administration	22	24
	<u>249</u>	<u>264</u>

The employee numbers and costs above include all employees who work for and are paid by the company, including certain employees whose contracts of service are with the ultimate parent company (note 25).

### 5. Directors' remuneration

S Farrant, D G Jones, G L McGregor, G P Otterman, S P Robinson and S Slattery were remunerated by the ultimate parent company (note 25). No remuneration (2015 £ nil) was paid to these directors in respect of services to the company. The remaining directors were remunerated by the company and their remuneration was as follows:

	2016 £'000	2015 £'000
Aggregate amounts of emoluments of directors (including the estimated money value of benefits in kind) in respect of managing the affairs of the company	263	296
Company contributions to defined benefit pension scheme	51	59
Number of directors who were members of the defined benefit pension scheme	<u>2</u>	<u>2</u>

The highest paid director was paid emoluments of £158,000. Company contributions to his defined benefit pension scheme were £34,000 and he had accrued pension entitlements under the defined benefit pension scheme of £67,460 per annum.

During the year none of the directors (2015 none) exercised share options in the ultimate parent company and seven of the directors (2015 seven) received shares under the ultimate parent company long term incentive plan.

# Tracerco Limited

## Notes to the accounts

### For the year ended 31 March 2016

#### 6. Taxation

	2016	2015 restated (note 26)
	£'000	£'000
<b>Current tax</b>		
UK corporation tax charge on profits for the year	-	35
Adjustment for prior years to UK corporation tax charge	(15)	(527)
Adjustment for prior years to foreign taxation on profits	528	444
Total current tax charge / (credit)	513	(48)
<b>Deferred tax</b>		
Origination and reversal of timing differences	(1,568)	404
Changes in tax rates and laws	(125)	(43)
Adjustment for prior years	(123)	523
Total deferred tax (credit) / charge	(1,816)	884
Total taxation (credit) / charge	(1,303)	836

The tax (credit) / charge for the year can be reconciled to the (loss) / profit per the profit and loss account as follows:

	2016	2015 restated (note 26)
	£'000	£'000
(Loss) / profit on ordinary activities before taxation	(9,944)	3,031
Tax charge at UK corporation tax rate of 20% (2015 21%)	(1,989)	637
Effects of:		
Group relief claimed for nil payment	-	(173)
Expenses not deductible for tax purposes	138	44
Share-based payments	6	31
Carried forward losses not recognised for deferred tax	383	-
Irrecoverable overseas tax suffered	422	344
Impact of changes in tax rates and laws	(125)	(43)
Adjustments for prior years	(138)	(4)
Tax (credit) / charge the year	(1,303)	836

In October 2015 the UK government substantively enacted changes in the UK corporation tax rate from 20% to 19% from 1 April 2017 and to 18% from 1 April 2020 and so the deferred tax balances at 31 March 2016 have been recalculated at the new rates.



# Tracerco Limited

## Notes to the accounts

### For the year ended 31 March 2016

#### 7. Dividends

	2016 £'000	2015 £'000
2014/15 Final ordinary dividend	<u>1,197</u>	<u>-</u>

The directors do not recommend the payment of a final dividend for the year ended 31 March 2016.

#### 8. Goodwill

	Goodwill £'000
<b>Cost</b>	
At beginning and end of year	<u>16,386</u>
<b>Impairment</b>	
At beginning and end of year	<u>-</u>
<b>Net book value at 31 March 2016</b>	<u><b>16,386</b></u>
Net book value at 31 March 2015 (restated)	<u>16,386</u>

Goodwill relates to one cash-generating unit.

#### 9. Intangible fixed assets

	Computer Software £'000
<b>Cost</b>	
At beginning of year (restated)	897
Additions	67
Disposals	<u>(67)</u>
At end of year	<u>897</u>
<b>Depreciation</b>	
At beginning of year (restated)	346
Charge for the year	65
Disposals	<u>(67)</u>
At end of year	<u>344</u>
<b>Net book value at 31 March 2016</b>	<u><b>553</b></u>
Net book value at 31 March 2015 (restated)	<u>551</u>

# Tracerco Limited

## Notes to the accounts

For the year ended 31 March 2016

### 10. Tangible fixed assets

	Leasehold buildings £'000	Freehold land and buildings £'000	Plant and machinery £'000	Total £'000
<b>Cost</b>				
At beginning of year (restated)	731	9,183	14,649	24,563
Additions	-	526	4,526	5,052
Disposals	-	-	(1,955)	(1,955)
At end of year	<u>731</u>	<u>9,709</u>	<u>17,220</u>	<u>27,660</u>
<b>Depreciation</b>				
At beginning of year (restated)	358	307	5,023	5,688
Charge for the year	70	430	1,847	2,347
Impairment losses (note 2)	-	266	4,315	4,581
Disposals	-	-	(814)	(814)
At end of year	<u>428</u>	<u>1,003</u>	<u>10,371</u>	<u>11,802</u>
<b>Net book value at 31 March 2016</b>	<u><b>303</b></u>	<u><b>8,706</b></u>	<u><b>6,849</b></u>	<u><b>15,858</b></u>
Net book value at 31 March 2015 (restated)	<u>373</u>	<u>8,876</u>	<u>9,626</u>	<u>18,875</u>

### 11. Investment in subsidiaries

	£'000
<b>Cost</b>	
At beginning of year end	<u>500</u>
<b>Impairment</b>	
At beginning of year	-
Charge for the year	<u>500</u>
At end of year	<u>500</u>
<b>Carrying amount at 31 March 2016</b>	<u><b>-</b></u>
Carrying amount at 31 March 2015	<u>500</u>

The company owns 100% of the ordinary share capital of Ilumink Limited. The principal activity of the subsidiary was the provision of brand assurance tools.

### 12. Stocks

	2016 £'000	2015 £'000
Work in progress	3,381	4,009
Finished goods	<u>100</u>	<u>98</u>
	<u><b>3,481</b></u>	<u><b>4,107</b></u>

# Tracerco Limited

## Notes to the accounts

For the year ended 31 March 2016

### 13. Debtors

	2016	2015 restated (note 26)
	£'000	£'000
Trade debtors	5,312	9,001
Amounts recoverable on contracts	3,970	6,446
Loans owed by ultimate parent company	62,614	23,547
Amounts owed by ultimate parent company	14	17
Amounts owed by subsidiary undertakings	-	77
Amounts owed by other Johnson Matthey group companies	4,279	3,766
Current tax receivable	35	492
Other debtors	452	100
Prepayments and accrued income	1,389	3,928
Forward foreign exchange contracts designated as cash flow hedges	-	12
	<b>78,065</b>	<b>47,386</b>

Forward foreign exchange contracts designated as cash flow hedges are owed by ultimate parent company.

### 14. Creditors

	2016	2015 restated (note 26)
	£'000	£'000
<b>Amounts falling due within one year</b>		
Bank overdrafts	-	12
Trade creditors	2,526	1,855
Amounts owed to other Johnson Matthey group companies	232	545
Loans owed to ultimate parent company	78,723	39,983
Amounts owed to ultimate parent company	696	868
Other creditors	123	60
Accruals and deferred income	1,579	1,375
Forward foreign exchange contracts designated as cash flow hedges	155	227
	<b>84,034</b>	<b>44,925</b>
<b>Amounts falling due after more than one year</b>		
Government grant	874	967
	<b>874</b>	<b>967</b>

Forward foreign exchange contracts designated as cash flow hedges are owed to ultimate parent company.

# Tracerco Limited

## Notes to the accounts

For the year ended 31 March 2016

### 15. Long term contracts

	2016 £'000	2015 £'000
Contract revenue recognised	4,809	12,511
Costs incurred plus recognised profits less recognised losses to date	13,844	21,729
Amount of advances received	(107)	(82)

### 16. Provision for liabilities and charges

	Restructuring provisions £'000	Deferred taxation liability £'000	Total £'000
At beginning of year (restated)	-	2,573	2,573
Charge / (credit) for the year	2,331	(1,816)	515
Utilised	(636)	-	(636)
Items taken directly to or transferred from equity	-	14	14
At end of year	1,695	771	2,466

The restructuring provision is expected to be fully utilised by 31 March 2017.

### 17. Deferred taxation

	Goodwill £'000	Tangible fixed assets £'000	Tax losses £'000	Other £'000	Total deferred tax (assets) / liabilities £'000
At 1 April 2014 (restated)	1671	106	-	(35)	1742
Charge to profit and loss account	141	728	-	15	884
Tax on items taken directly to or transferred from equity	-	-	-	(53)	(53)
At 31 March 2015 (restated)	1,812	834	-	(73)	2,573
(Credit) / charge to profit and loss account	(54)	(1,452)	(325)	15	(1,816)
Tax on items taken directly to or transferred from equity	-	-	-	14	14
As at 31 March 2016	1,758	(618)	(325)	(44)	771

### 18. Called up share capital

	Number	£'000
Allotted, called up and fully paid ordinary shares of £1		
At beginning and end of year	40,000,002	40,000

# Tracerco Limited

## Notes to the accounts

For the year ended 31 March 2016

### 19. Related party transactions

There were no related party transactions during the year other than between the company and other Johnson Matthey group companies.

### 20. Financial commitments

	2016 £'000	2015 £'000
Future capital expenditure contracted but not provided for	78	2,194
Future minimum amounts payable under non-cancellable operating leases		
Within one year	842	101
From one to five years	2,720	1,075
More than 5 years	10,316	2,424
	<u>13,878</u>	<u>3,600</u>

### 21. Share-based payments

#### Long term incentive plan (LTIP)

Under the LTIP, shares in the ultimate parent company are allocated to directors, senior managers and middle managers based on a percentage of salary and are subject to performance targets over a three year period. At 31 March 2016, shares allocated in 2013, 2014 and 2015 (at 31 March 2015, shares allocated in 2012, 2013 and 2014) were outstanding in respect of which the performance period has not expired. The minimum release of 15% of the allocation is subject to the achievement of underlying earnings per share of the ultimate parent company (EPS) growth of 6% compound per annum over the three year period. For shares allocated in 2015 onwards, the maximum release of 100% of the allocation is subject to EPS growing by at least 12% compound per annum and for shares allocated prior to 2015, the maximum release is subject to EPS growing by at least 15% compound per annum. The number of allocated shares released will vary on a straight line basis between these points. Allocations will lapse if the EPS growth is less than 6% compound per annum over the three year performance period. Shares allocated in 2014 onwards to the executive directors only are also subject to a deferred release whereby a third is released on the third anniversary of the date of the allocation and the remaining vested shares are released in equal instalments on the fourth and fifth anniversaries of the date of the allocation; plus the Johnson Matthey Remuneration Committee is entitled to claw back the allocations in cases of misstatement or misconduct. Of the shares allocated in 2012, 15.64% were released during the year.

#### Share incentive plan (SIP)

Under the SIP, all employees with at least one year of service within the Johnson Matthey group and who are employed by a participating group company are entitled to contribute up to 2.5% of basic pay each month, subject to a £125 per month limit. The SIP trustees buy shares (partnership shares) at market value each month with the employees' contributions. For each partnership share purchased, the group purchases two shares (matching shares) which are allocated to the employee. If the employee sells or transfers partnership shares within three years from the date of allocation, the linked matching shares are forfeited.

# Tracerco Limited

## Notes to the accounts

For the year ended 31 March 2016

### 22. Gross cash flows

	2016	2015
	£'000	restated £'000 (note 26)
<b>Purchase of fixed assets and investments</b>		
Purchase of tangible fixed assets	(5,052)	(7,386)
Purchase of intangible fixed assets	(67)	(508)
Investment in subsidiary	-	(500)
	<u>(5,119)</u>	<u>(8,394)</u>

### 23. Cash and cash equivalents

	2016	2015
	£'000	£'000
Cash and deposits	3,507	930
Bank overdrafts	-	(12)
Loans from ultimate parent company	(78,723)	(39,983)
Loans to ultimate parent company	62,614	23,547
	<u>(12,602)</u>	<u>(15,518)</u>

### 24. Retirement Benefits

The company is included in the Johnson Matthey Employees Pension Scheme which is mainly of the defined benefit type. The scheme includes employees of several companies in the Johnson Matthey group. There is no contractual agreement or stated policy for charging the net defined benefit cost for the scheme to the individual group entities. Information about the scheme is disclosed in the ultimate parent company's consolidated accounts (note 25). The cost of the company's contributions to the scheme for the year ended 31 March 2016 amounted to £1,744,000 (2015 £1,533,000). The amount recognised as an expense for defined contribution schemes amount to £194,000 (2015 £215,000).

### 25. Ultimate parent company

The company's immediate and ultimate parent company is Johnson Matthey Plc. The consolidated accounts of Johnson Matthey Plc are available to the public and may be obtained from 5th Floor, 25 Farringdon Street, London EC4A 4AB.

# Tracerco Limited

## Notes to the accounts

### For the year ended 31 March 2016

#### 26. Explanation of transition to FRS 101

These are the company's first accounts prepared in accordance with FRS 101.

The accounting policies set out on page 8 to 11 have been applied in preparing the accounts for the year ended 31 March 2016, the comparative information provided in these accounts for the year ended 31 March 2015 and in the preparation of the opening balance sheet at 1 April 2014, the company's date of transition to FRS 101.

#### Reconciliation of profit before tax and net assets

	2015	
Explanation	£'000	
Profit on ordinary activities before tax under UK GAAP	1,950	
Goodwill amortisation	(a) 1,081	
Profit on ordinary activities before tax under FRS 101	<u>3,031</u>	

	At 31 March 2015	At 1 April 2014
Explanation	£'000	£'000
Net assets under UK GAAP	41,197	40,013
Cash flow hedges	(b) (215)	49
Goodwill amortisation	(a) 1,081	-
Deferred tax adjustments	(c) (1,793)	(1,776)
Net assets under FRS 101	<u>40,270</u>	<u>38,286</u>

#### Explanation of differences from UK GAAP to FRS 101

- (a) Under IFRS 3 – 'Business Combinations', amortisation is no longer required but instead annual impairment reviews have to be performed.
- (b) Under IAS 39 – 'Financial Instruments: Recognition and Measurement', derivative financial instruments are measured at their fair value. Changes in the fair value of instruments designated as cash flow hedges are recognised in other comprehensive income and transferred to the profit and loss account in the same period that the hedged item is recognised in the profit and loss account. Under UK GAAP, no fair value adjustments were recognised.
- (c) Under IAS 12 – 'Income Taxes', the company is providing for deferred tax on the other IFRS accounting changes.
- (d) Under IAS 38 – 'Intangible Assets' any capitalised software that is not an integral part of the related hardware is reclassified from tangible fixed assets to intangible assets.

# Tracerco Limited

## Notes to the accounts

For the year ended 31 March 2016

### 26. Explanation of transition to FRS 101 (continued)

#### Reconciliation of balance sheet at date of transition - 1 April 2014

	Explanation	UK GAAP £'000	FRS 101 adjustments £'000	FRS 101 £'000
Goodwill	(a)	16,386	-	16,386
Intangible fixed assets	(d)	-	100	100
Tangible fixed assets	(d)	14,596	(100)	14,496
Stocks		4,573	-	4,573
Debtors	(b),(c)	87,091	15	87,106
Cash at bank in hand		6,744	-	6,744
Creditors falling due within one year		(89,377)	-	(89,377)
Provisions	(c)	-	(1,742)	(1,742)
<b>Net assets</b>		<b>40,013</b>	<b>(1,727)</b>	<b>38,286</b>
<b>Capital and reserves</b>				
Called up share capital		40,000	-	40,000
Hedging reserves	(b)	-	39	39
Profit and loss account		13	(1,766)	(1,753)
<b>Shareholder's funds</b>		<b>40,013</b>	<b>(1,727)</b>	<b>38,286</b>

#### Reconciliation of profit and loss for the year ended 31 March 2015

		UK GAAP £'000	FRS 101 adjustments £'000	FRS 101 £'000
Turnover		47,916	-	47,916
Cost of sales		(32,008)	-	(32,008)
<b>Gross profit</b>		<b>15,908</b>	<b>-</b>	<b>15,908</b>
Selling and distribution costs		(6,489)	-	(6,489)
Research and development costs		(5,008)	-	(5,008)
Administration expenses	(a)	(2,558)	1,081	(1,477)
<b>Operating profit</b>		<b>1,853</b>	<b>1,081</b>	<b>2,934</b>
Interest receivable from ultimate parent company		97	-	97
<b>Profit on ordinary activities before taxation</b>		<b>1,950</b>	<b>1,081</b>	<b>3,031</b>
Taxation	(c)	(766)	(70)	(836)
<b>Profit for the year</b>		<b>1,184</b>	<b>1,011</b>	<b>2,195</b>



# Tracerco Limited

## Notes to the accounts

For the year ended 31 March 2016

### 26. Explanation of transition to FRS 101 (continued)

#### Reconciliation of balance sheet at date at 31 March 2015

	Explanation	UK GAAP £'000	FRS 101 adjustments £'000	FRS 101 £'000
Goodwill	(a)	15,305	1,081	16,386
Intangible fixed assets	(d)	-	551	551
Tangible fixed assets	(d)	19,426	(551)	18,875
Investments in subsidiaries		500	-	500
Stocks		4,107	-	4,107
Debtors		47,374	12	47,386
Cash at bank in hand		930	-	930
Creditors falling due within one year	(b)	(44,698)	(227)	(44,925)
Creditors falling due after more than one year		(967)	-	(967)
Provisions	(c)	(780)	(1,793)	(2,573)
<b>Net assets</b>		<b>41,197</b>	<b>(927)</b>	<b>40,270</b>
<b>Capital and reserves</b>				
Called up share capital		40,000	-	40,000
Hedging reserve	(b)	-	(172)	(172)
Profit and loss account		1,197	(755)	442
<b>Shareholder's funds</b>		<b>41,197</b>	<b>(927)</b>	<b>40,270</b>