

**MW High Tech Projects UK Limited**

**Strategic report, Directors' report and  
financial statements**

**Registered number 5179071**

**Year ended 30 December 2018**



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## Directors' report

The directors present their Directors' report and financial statements for the year ended 30 December 2018. The comparative period is the period ended 30 December 2017.

### Financial instruments

The Company's financial instruments comprise cash balances, payables and receivables that arise from its operations. The Company has no third party debt, and it obtains financial support as and when needed from its ultimate parent company, M+W Group GmbH, by way of loans. The Company's activities expose it to various financial risks, market risk (foreign exchange risk), hedging instruments (by way of forward exchange deals and currency options) and credit risk, and these are discussed more fully in Note 20 of the financial statements.

### Going Concern

The company is fully committed to completing all of its existing contracts, including project completion, hand-over, commissioning and defects period. Whilst the accounts have not been prepared on a going concern basis due to the cessation of all tendering activities in the previous year, the company still continues to meet all of its contractual liabilities. All core opportunities currently in the Sales Funnel will transfer to another UK based company which forms part of the same Group. The company continues to meet all of its contractual liabilities and still continues to receive the full backing and support from its ultimate operational parent, M+W Group GmbH, by way of a cash framework agreement, where funding is provided as and when required. During the 2018 financial year, M+W Group GmbH wrote off the outstanding loans owed, as discussed in note 21. Further details on the Going Concern can be found in note 1 to these financial statements.

### Proposed dividend

The directors do not recommend the payment of a dividend (2017: £Nil).

### Directors

The directors who held office during the year and up to the date of signing this Directors' report were as follows:

Mr A J Barrett  
Mrs J Fowler

### Political contributions

Neither the Company nor any of its subsidiaries made any political contributions nor incurred any political expenditure during the year (2017 £Nil).

### Disclosure of information to auditor

The directors who held office at the date of approval of this directors report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

### Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board

  
J Fowler  
Director

  
A Barrett  
Director

Methuen South  
Bath Road  
Chippenham  
Wiltshire  
SN14 0GT

17 October 2019

## Strategic report

### Principal activities

During the year, the principal activities of the Company were the design and project management of clean room, technical, manufacturing, research facilities and Energy from Waste plants. These activities included building construction, mechanical and electrical equipment installation, piping construction, electrical construction and facility management.

The company is wholly committed and has continued to focus on closing out its existing projects. Based on the decision in previous years to cease any further tendering activities within the company, the sales funnel activities have been transferred to another UK based company which forms part of the same Group.

### Business Review

Over the past 12 months the company has made significant progress on the construction completion of all of its remaining projects and notably the Energy from Waste plants ("EfW"). Whilst further loss provisions have been made in 2018 for the EfW projects, the company has now reached a more stabilised level of cost certainty in the year as the projects near completion and the reported gross losses in the year are significantly lower than the previous year.

On 27 June 2018, the company sold 100% of the 2 wholly owned subsidiary companies for €202,000,000 in the form of cash, held on deposit and included as an intercompany debtor, with the ultimate parent company, M+W Group GmbH, as follows:

- Exyte Hargreaves Limited was sold to Exyte Singapore Pte. Ltd for a deferred consideration of €27,000,000 (£23,639,000), and
- Exyte Northern Europe Ltd was sold to Exyte Europe Holdings GmbH for a deferred consideration of €175,000,000 (£153,213,000)

Total profit resulting from the sale of these subsidiary companies was £172,338,000. Further detail can be found in note 11 to these financial statements.

Trade receivables have decreased from previous years, this is due to a number of projects now nearing the final stages of completion.

During the period there was also a significant reduction in the trade payables. The main consideration was the waiver of the inter-company loan with the Ultimate Parent Company, M+W Group GmbH.

### Principle risks and uncertainties

The company has a number of projects that need to be completed and the principal risks and uncertainties for the Company arising from these projects are similar to those risks associated with other companies operating within the same business environment.

The mitigation strategies and the Risk Management Initiative have been reviewed and it is felt that these risks have not changed from the prior year. These risks include:

- Changes to economic conditions and government policy.
- Breach of health, safety and environmental laws, regulations and standards.
- Commercial counterparty competence and solvency;
- Retaining key personnel to successfully complete the projects;
- Information technology and security;
- Taxation, interest rate and foreign exchange risk.

The Company's activities expose it to various financial risks, market risk (foreign exchange risk) and credit risk, and these are discussed in more detail in Note 20 of the financial statements.

## Strategic report *(continued)*

### Brexit

Given the ongoing negotiations between the UK Government and European Union, the full impact of Brexit is still to be determined due to the uncertainty surrounding the final deal that will be agreed. The directors are monitoring the potential impact on the company in respect of both its customer and suppliers, and do not expect there to be any risk or material impact to the company, regardless of the final outcome.

### Subsequent events

On the 4<sup>th</sup> March 2019 the company received a letter of termination from its client Energy Works Hull Ltd (EWH) purporting to terminate the contract for the construction of the fluidized bed gasification power plant at Cleveland Street, Kingston Upon Hull, and subsequently M+W's work on this site has ceased. The company is receiving external legal advice on this issue.

The directors do not consider this event to have any bearing on the financial statements for the year ending 30 December 2018.

By order of the board



**J Fowler**  
Director



**A Barrett**  
Director

Methuen South  
Bath Road  
Chippenham  
Wiltshire  
SN14 0GT

17 October 2019

## **Statement of directors' responsibilities in respect of the Strategic report, the Directors' report and the financial statements**

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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS101 Reduced Disclosure Framework.

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 year. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and 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;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so (as explained in note 1, the directors do not believe that it is appropriate to prepare these financial statements on a going concern basis).

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 responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and 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.

# **Independent auditor's report to the members of MW High Tech Projects UK Limited**

## **Modified opinion**

We were engaged to audit the financial statements of MW High Tech Projects UK Limited ("the company") for the year ended 30 December 2018 which comprise the Statement of Profit and Loss and Other Comprehensive Income, Balance Sheet, Statement of Changes in Equity, and related notes, including the accounting policies in note 1.

In our opinion, except for the possible effect solely on the comparative information for the year ended 30 December 2017 of the matter described in the basis for modification opinion section of our report, the financial statements give a true and fair view of the state of the company's affairs as at 30 December 2018.

Due to the significance of the matter described in the basis for modification of opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion, and accordingly we do not express an opinion, as to whether the financial statements:

- give a true and fair view of the Company's profit for the year ended 30 December 2018;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

## **Basis for modification of opinion**

The audit evidence available to us in the prior year was limited due to unexpected cost overruns and delays on Energy from Waste ("EfW") contracts, and consequently the directors were unable to prepare reliable future cost forecasts in respect of those contracts. As a result of this we were unable to obtain sufficient appropriate audit evidence concerning revenue and cost of sales for the period ended 30 December 2017, and payments received on account and onerous contract provisions as at that date. We therefore did not express an audit opinion on the financial statements for the period ended 30 December 2017. As any adjustments arising would have a consequential effect on the Company's net assets as at that date and on its results for the periods ended 30 December 2017 and 30 December 2018, we have not been able to express an opinion on the Company's profit for the year ended 30 December 2018.

Nevertheless, we believe that the audit evidence we have obtained is a sufficient and appropriate basis for our qualified opinion on the state of the Company's affairs as at 30 December 2018.

## **Emphasis of matter - non-going concern basis of preparation**

We draw attention to the disclosure made in note 1 to the financial statements which explains that the financial statements have not been prepared on the going concern basis for the reasons set out in that note. Our opinion is not modified in respect of this matter.

## **Strategic report and directors' report**

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

## **Independent auditor's report to the members of MW High Tech Projects UK Limited (Continued)**

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

In respect solely of the limitation of our work relating to the accounting for the company's EfW contracts as at and for the year ended 30 December 2017 which has a consequential impact on the results for the year ended 30 December 2018 as referred to above:

- we have not obtained all the information and explanations that we considered necessary for the purpose of our audit;
- we were unable to determine whether the financial statements are in agreement with the accounting records and returns.

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:

- returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made.

### **Directors' responsibilities**

As explained more fully in their statement set out on page 6, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

### **Auditor's responsibilities**

Our responsibility is to conduct an audit of the financial statements in accordance with International Standards on Auditing (UK) ("ISAs (UK)"), and to issue an auditor's report. However, due to the significance of the matter described in the basis for modification of opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements other than on the state of the company's affairs as at 31 December 2018.

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

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard.



## **Independent auditor's report to the members of MW High Tech Projects UK Limited (Continued)**

### **The purpose of our audit work and to whom we owe our responsibilities**

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.

Ian Brokenshire

**Ian Brokenshire (Senior Statutory Auditor)**  
**for and on behalf of KPMG LLP, Statutory Auditor**  
*Chartered Accountants*  
66 Queen Square  
Bristol  
BS1 4BE

21 October 2019

## Statement of Profit and Loss and Other Comprehensive Income

for year ended 30 December 2018

	Note	Year ended 30 Dec 2018 £000	364 day Period ended 30 Dec 2017 £000
<b>Revenue</b>	1-2	<b>141,570</b>	172,909
Cost of sales		(220,649)	(290,965)
<b>Gross loss</b>		<b>(79,079)</b>	(118,056)
Administrative expenses		(5,006)	(17,378)
Other operating income	6	172,338	1,337
<b>Operating profit/(loss)</b>	3-5	<b>88,253</b>	(134,097)
Financial income	7	3,603	50
Financial expenses	7	(1,509)	(1,600)
<b>Net financing income/(expenses)</b>		<b>2,094</b>	(1,550)
<b>Profit/(loss) before tax</b>		<b>90,347</b>	(135,647)
Taxation	8	(345)	(6,379)
<b>Profit/(loss) for the year/period</b>		<b>90,002</b>	(142,026)
<b>Other comprehensive income</b>			
<i>Items that are or may be reclassified subsequently to profit or loss:</i>			
Effective portion of changes in fair value of cash flow hedges	19	(1,817)	(5,350)
Income tax on items that are or may be reclassified subsequently to profit or loss	8	345	873
<b>Other comprehensive income for the year/period</b>		<b>(1,472)</b>	(4,477)
<b>Total comprehensive income for the year/period</b>		<b>88,530</b>	(146,503)

The results for the current year and previous financial period all arose from discontinued operations.

**Balance Sheet**  
*at 30 December 2018*

	<i>Note</i>	<b>30 Dec 2018</b> <b>£000</b>	<b>30 Dec 2017</b> <b>£000</b>
<b>Non-current assets</b>			
Property, plant and equipment	<i>9</i>	<b>370</b>	821
Intangible assets	<i>10</i>	-	-
Investments in subsidiaries	<i>11</i>	<b>40</b>	4,513
		<b>410</b>	5,334
<b>Current assets</b>			
Trade and other receivables	<i>13</i>	<b>33,674</b>	40,369
Cash and cash equivalents	<i>14</i>	<b>1,121</b>	2,916
		<b>34,795</b>	43,285
<b>Total assets</b>		<b>35,205</b>	48,619
<b>Current liabilities</b>			
Trade and other payables	<i>15</i>	<b>(73,842)</b>	(205,093)
Provisions	<i>16</i>	<b>(11,757)</b>	(31,325)
		<b>(85,599)</b>	(236,418)
<b>Net Current liabilities</b>		<b>(50,804)</b>	(193,133)
<b>Non-current liabilities</b>			
Provisions	<i>16</i>	-	(9,453)
<b>Total liabilities</b>		<b>(85,599)</b>	(245,871)
<b>Net liabilities</b>		<b>(50,394)</b>	(197,252)
<b>Equity</b>			
Share capital	<i>18</i>	<b>100</b>	100
Share premium	<i>18</i>	<b>2,601</b>	2,601
Retained earnings		<b>(114,211)</b>	(201,425)
Capital contribution reserve	<i>18</i>	<b>61,116</b>	
Hedging Reserve	<i>19</i>	-	1,472
<b>Total equity</b>		<b>(50,394)</b>	(197,252)

These financial statements were approved by the board of directors on 17 October 2019 and were signed on its behalf by:



**J Fowler**  
*Director*



**A Barrett**  
*Director*

Company registered number: 5179071

## Statement of Changes in Equity

	Share capital £000	Share premium £000	Retained earnings £000	Capital contribution reserve £000	Hedging reserve £000	Total equity £000
Balance at 1 January 2017	100	2,601	(59,399)	-	5,949	(50,749)
<b>Total comprehensive income for the period</b>						
Loss for the period	-	-	(142,026)	-	-	(142,026)
Effective portion of changes in fair value of cash flow hedges	-	-	-	-	(5,350)	(5,350)
Income tax on items that are or may be reclassified subsequently to profit or loss	-	-	-	-	873	873
<b>Total comprehensive income for the period</b>	-	-	(142,026)	-	(4,477)	(146,503)
<b>Balance at 30 December 2017</b>	<b>100</b>	<b>2,601</b>	<b>(201,425)</b>	<b>-</b>	<b>1,472</b>	<b>(197,252)</b>
	Share capital £000	Share premium £000	Retained earnings £000	Capital contribution reserve	Hedging reserve £000	Total equity £000
<b>Balance at 31 December 2017</b>	<b>100</b>	<b>2,601</b>	<b>(201,425)</b>	<b>-</b>	<b>1,472</b>	<b>(197,252)</b>
Adjustment as a result of transition to IFRS 15 (note 25)	-	-	(2,788)	-	-	(2,788)
<b>Adjusted equity at 31 December 2017</b>	<b>100</b>	<b>2,601</b>	<b>(204,213)</b>	<b>-</b>	<b>1,472</b>	<b>(200,040)</b>
<b>Total comprehensive income for the year</b>						
Profit for the year	-	-	90,002	-	-	90,002
Effective portion of changes in fair value of cash flow hedges	-	-	-	-	(1,817)	(1,817)
Income tax on items that are or may be reclassified subsequently to profit or loss	-	-	-	-	345	345
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>90,002</b>	<b>-</b>	<b>(1,472)</b>	<b>88,530</b>
<b>Transactions with owners, recorded directly in equity</b>						
Waiver of loan held with parent company	-	-	-	61,116	-	61,116
<b>Total contributions by and distributions to owners</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>61,116</b>	<b>-</b>	<b>61,116</b>
<b>Balance at 30 December 2018</b>	<b>100</b>	<b>2,601</b>	<b>(114,211)</b>	<b>61,116</b>	<b>-</b>	<b>(50,394)</b>

## Notes

*(forming part of the financial statements)*

### 1 Accounting policies

MW High Tech Projects UK Limited (a "private company limited by shares") is a company incorporated, domiciled and registered in England and Wales in the UK.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"). The amendments to FRS 101 (2017/15 Cycle) issued in July 2018 and effective immediately have been applied.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The Company's ultimate parent undertaking, M+W Group GmbH includes the Company in its consolidated financial statements. The consolidated financial statements of M+W Group GmbH are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from M+W Group GmbH, Löwentorbogen 9B, 70376 Stuttgart, Germany.

In these financial statements, the company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- a Cash Flow Statement and related notes;
- Comparative year reconciliations for share capital, tangible fixed assets, intangible assets and investment properties;
- Disclosures in respect of transactions with wholly owned subsidiaries ;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs;
- Disclosures in respect of the compensation of Key Management Personnel; and
- Disclosures of transactions with a management entity that provides key management personnel services to the company.

As the consolidated financial statements of M+W Group GmbH include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- IFRS 2 *Share Based Payments* in respect of group settled share based payments
- Certain disclosures required by IAS 36 *Impairment of assets* in respect of the impairment of goodwill and indefinite life intangible assets;
- Disclosures required by IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* in respect of the cash flows of discontinued operations;
- Certain disclosures required by IFRS 3 *Business Combinations* in respect of business combinations undertaken by the Company;
- Certain disclosures required by IFRS 13 *Fair Value Measurement* and the disclosures required by IFRS 7 *Financial Instrument Disclosures*.

## Notes (continued)

### 1 Accounting policies (continued)

The Company proposes to adopt the reduced disclosure framework of FRS 101 in its next financial statements.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

The following accounting standards have been adopted by the company in the year:

- IFRS 9 Financial Instruments
- IFRS 15 Revenue from Contracts with Customers

#### ***IFRS 9 Financial Instruments***

IFRS 9 sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 introduces new models for classification of financial assets and accounting for credit losses. The Company has adopted IFRS 9 retrospectively from 31 December 2017. There was no material impact on adoption of the new standard.

#### ***IFRS 15 Revenue from Contracts with Customers***

The company has adopted IFRS 15 from 31 December 2017. The Company has adopted IFRS 15 retrospectively and has chosen to apply the cumulative effect approach. As a result, the Company has restated its opening equity position as at 31 December 2017 by a debit of £2,788,000 to reflect the impact of transitioning to IFRS 15. This adjustment primarily reflects the impact of unbundling 2 contracts to what the Company has assessed to be the performance obligations to be delivered to the customer.

In line with the requirements of the standard with regards to the transition option adopted, the Company has not restated its comparative information which continues to be reported under previous revenue standards, IAS 11 and IAS 18.

As a result of the new standard, the Company has also revised its accounting policies around revenue recognition as detailed the below policy details.

#### ***Measurement convention***

The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments.

The accounts have been prepared on a break up basis, as detailed in the following notes.

#### ***Going concern***

Whilst the accounts have not been prepared on a going concern basis due to the cessation of all tendering activities the previous year, the company still continues to meet all of its contractual liabilities. All core opportunities currently in the Sales Funnel will transfer to another UK based company which forms part of the same Group. The company is wholly committed to completing all of its current contracts including project completion, hand-over, commissioning and defects period All core opportunities in the sales funnel have transferred to another UK based company which forms part of the same Group.

The company continues to meet all of its contractual liabilities and still continues to receive the full backing and support from its ultimate operational parent, M+W Group GmbH, by way of a cash framework agreement, where funding is provided as and when required.

The directors have prepared cash flow forecasts and have concluded, on the basis of regular oral and written assurances and continuing financial support from its ultimate operational parent, M+W Group GmbH, the Company will be able to operate for the period required to complete these contracts and close out its liabilities arising therefrom.

In preparing those forecasts, the directors have taken into account various risks and uncertainties, and the potential cash outflows required to complete the existing projects and despite the net liability position reflected in these accounts, the company has continued to meet all of its liabilities as they fall due as a result of the continuing financial support provided from the ultimate parent company.

## Notes (continued)

### 1 Going Concern (continued)

During 2018, M+W Group GmbH wrote off all outstanding loans with the Company, and have confirmed that they will continue to offer support and funding to close out the current projects in a solvent position.

#### Revenue

Revenue represents the amounts (excluding value added tax) derived from the provision of goods and services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services.

Where a variation to the existing contract occurs, the Company assesses the nature of the variation and whether it represents a separate performance obligation required to be satisfied by the Company or whether it is a variation to the existing performance obligation.

The Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Company does not adjust its transaction price for the time value of money.

Depending on the nature of the product or service delivered, and the timing of when control is passed to the customer, the Company will account for revenue over time and at a point in time. Where revenue is measured over time, the Company uses the input method to measure progress of delivery.

Revenue is recognised as follows:

- revenue from construction activities where single performance obligations have been identified are recognised over time using the input method to measure progress of delivery
- revenue from construction activities where multiple performance obligations have been identified are recognised using revenue milestones certified by the customers

No margin is recognised until the outcome of the contract can be estimated with reasonable certainty. Provision is made for all known or expected losses on individual contracts once such losses are foreseen.

Revenue in respect of variations to contracts are recognised when it is highly probable it will be agreed with the customer.

#### Construction contract debtors

Construction contract debtors represent the gross unbilled amount for contract work performed to date. They are measured at cost plus profit recognised to date less a provision for foreseeable losses and less progress billings. Variations are included in contract revenue when they are reliably measurable and it is probable that the customer will approve the variation itself and the revenue arising from the variation. Claims are included in contract revenue only when they are reliably measurable and negotiations have reached an advanced stage such that it is probable that the customer will accept the claim. Cost includes all expenditure related directly to specific projects and an allocation of fixed and variable overheads incurred in the Company's contract activities based on normal operating capacity.

Construction contract debtors are presented as part of trade and other receivables in the balance sheet. If payments received from customers exceed the income recognised, then the difference is presented as deferred income in the balance sheet.

#### Foreign currencies

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the statement of comprehensive income. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined.

### ***Inventories***

Inventories are stated at the lower of cost and net realisable value. Cost is based on the first-in first-out average principle and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

### ***Classification of financial instruments issued by the Company***

Following the adoption of IAS 32, financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

- (a) they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company; and
- (b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital exclude amounts in relation to those shares.

### ***Non-derivative financial instruments***

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

#### ***Trade and other receivables***

Trade and other receivables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

#### ***Trade and other payables***

Trade and other payables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

### ***Investments in debt and equity securities***

Investments in subsidiary undertakings are carried at cost less impairment.



## Notes (continued)

### 1 Accounting policies (continued)

#### *Cash and cash equivalents*

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

#### *Interest-bearing borrowings*

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

#### *Derivative financial instruments and hedging*

##### *Derivative financial instruments*

Derivative financial instruments are recognised at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged (see below).

##### *Cash flow hedges*

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in the hedging reserve. Any ineffective portion of the hedge is recognised immediately in the income statement.

If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gains and losses that were recognised directly in equity are reclassified into profit or loss in the same period or periods during which the asset acquired or liability assumed affects profit or loss, i.e. when interest income or expense is recognised.

For cash flow hedges, other than those covered by the preceding two policy statements, the associated cumulative gain or loss is removed from equity and recognised in the income statement in the same period or periods during which the hedged forecast transaction affects profit or loss.

When a hedging instrument expires or is sold, terminated or exercised, or the entity revokes designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised in the income statement immediately.

#### *Research and development*

Expenditure on research activities is recognised in the income statement as an expense as incurred.

#### *Expenses*

##### *Operating lease payments*

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease.

## 1 Accounting policies (*continued*)

### ***Property, plant and equipment***

Freehold land and buildings, plant and equipment are stated at deemed cost less accumulated depreciation and accumulated impairment losses.

Certain items of property, plant and equipment that had been revalued to fair value on or prior to the date of transition to Adopted IFRSs, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of plant and equipment. The estimated useful lives are as follows:

Office equipment	-	25% per annum
Plant and machinery	-	25% per annum
Freehold buildings	-	2% per annum
Leasehold buildings/improvements	-	over the period to the first break clause of the lease

### ***Intangible assets and goodwill***

All acquisitions of trade and assets are accounted for by applying the purchase method. Goodwill represents the difference between the cost of the acquisition and the net fair value those trade and assets acquired.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is not amortised but is tested annually for impairment.

### ***Impairment excluding inventories and deferred tax assets***

#### ***Financial assets (including receivables)***

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

#### ***Non-financial assets***

The carrying amounts of the Company's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units.

An impairment loss is recognised if the carrying amount of an asset or its cash generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

## Notes (continued)

### 1 Accounting policies (continued)

#### Employee benefits

##### Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the Company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement in the periods during which services are rendered by employees.

#### Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

#### Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability. Provisions that relate to onerous contracts are not discounted.

### 2 Revenue

Revenue and profit before tax all arose from the Company's principal activity. Of the revenue, £134,159,000 (2017: £170,574,000) arose in the UK and £7,257,000 (2017: £2,335,000) arose in Europe.

#### (i) Contract balances

The following table provides information about opening and closing receivables, contract assets and contract liabilities from contracts with customers. The company recognised the cumulative effect of initially applying IFRS 15 as an adjustment to the opening balances at 31 December 2017.

	Note	30 December 2018 £000	31 December 2017 £000
Receivables	14	6,028	11,379
Contract assets	14	16,544	16,725
Contract liabilities	16	(34,336)	(56,605)

The contract assets primarily relate to the company's rights to consideration for work completed but not billed at the reporting date on from contracts with customers. The contract assets are transferred to receivables when the rights become unconditional. The contract liabilities primarily relate to the advance consideration received from customers for contracts with customers.

## Notes (continued)

### 2 Revenue (continued)

The amount of revenue recognised in in current period from performance obligations satisfied (or partially satisfied) in previous periods was £16,725,000.

The amount of revenue recognised in current period that was included in the contract liability balance at the beginning of the period was £56,605,000.

Significant changes in the contract assets and the contract liabilities balances during the period are as follows:

2018	Contract assets £000	Contract liabilities £000
Revenue recognised that was included in the contract liability balance at the beginning of the period	-	56,605
Increases due to cash received, excluding amounts recognised as revenue during the period	-	(34,336)
Transfers from contract assets recognised at the beginning of the period to receivables	(16,725)	-
Increases due to consideration for work completed but not billed at the the reporting date	16,544	-
	<hr/>	<hr/>

#### (ii) Transaction price allocated to the remaining performance obligations

The following table includes revenue expected to be recognised in the future related to performance obligations that are unsatisfied (or partially unsatisfied) at the reporting date.

2019 £000	2020 £000	2021 £000	2022 £000
63,704	3,000	1,326	-
<hr/>	<hr/>	<hr/>	<hr/>

## Notes (continued)

### 3 Expenses and auditor's remuneration

Included in profit/loss are the following:

	30 Dec 2018 £000	30 Dec 2017 £000
Depreciation and other amounts written off tangible fixed assets	489	737
Impairment of intangible assets and investments	-	4,282
Operating lease rentals:		
Land and buildings	232	343
Other	63	17
	<u>          </u>	<u>          </u>

Auditor's remuneration:

	30 Dec 2018 £000	30 Dec 2017 £000
Audit of these financial statements	50	65
Amounts receivable by auditor and their associates in respect of:		
Audit of financial statements of subsidiaries of the Company	-	45
Other services relating to taxation	41	171
	<u>          </u>	<u>          </u>

### 4 Staff numbers and costs

The average number of persons employed by the Company (including directors) during the year/period, analysed by category, was as follows:

	Number of employees	
	30 Dec 2018	30 Dec 2017
Management	11	12
Sales and services	196	231
	<u>          </u>	<u>          </u>
	207	243
	<u>          </u>	<u>          </u>

The aggregate payroll costs of these persons were as follows:

	30 Dec 2018 £000	30 Dec 2017 £000
Wages and salaries	15,591	16,877
Social security costs	1,776	1,885
Contributions to defined contribution plans	692	806
	<u>          </u>	<u>          </u>
	18,059	19,568
	<u>          </u>	<u>          </u>

## Notes (continued)

### 5 Directors' remuneration

	30 Dec 2018 £000	30 Dec 2017 £000
Directors' emoluments	281	601
Company contributions to money purchase pension plans	18	45

The aggregate of emoluments of the highest paid director was £155,000 (2017: £157,000), and company pension contributions of £7,000 (2017: £1,000) were made to a money purchase scheme on his behalf.

### 6 Other operating income

	30 Dec 2018 £000	30 Dec 2017 £000
Profit on sale of investments in subsidiaries (Note 11)	172,338	-
R & D Tax credit	-	1,337
	<u>172,338</u>	<u>1,337</u>

### 7 Finance income and expense

#### Recognised in profit or loss

	30 Dec 2018 £000	30 Dec 2017 £000
<b>Finance income</b>		
Interest income on bank deposits	-	3
Interest income on loans to Group undertakings	123	47
Net foreign exchange profit	3,480	-
	<u>3,603</u>	<u>50</u>
<b>Finance expense</b>		
Bank interest	-	12
Interest expense on loans from Group undertakings	1,509	200
Net foreign exchange loss	-	1,388
	<u>1,509</u>	<u>1,600</u>

## Notes (continued)

### 8 Taxation

#### Recognised in the income statement

	30 Dec 2018 £000	30 Dec 2017 £000
Current tax expense	-	-
Current year	-	-
Current tax expense	-	-
Deferred tax expenses		
Origination and reversal of temporary difference	345	724
Impairment of deferred tax	-	5,655
Deferred tax expenses	345	6,379
Total tax expense	345	6,379

#### Income tax recognised in other comprehensive income

	30 Dec 2018 £000	30 Dec 2017 £000
Effective portion of changes in fair value of cash flow hedges	(345)	(873)
	(345)	(873)

#### Reconciliation of effective tax rate

	30 Dec 2018 £000	30 Dec 2017 £000
Profit/(loss) for the year/period	90,002	(142,026)
Total tax expense	345	6,379
Profit excluding taxation	90,347	(135,647)
Tax using the UK corporation tax rate of 19% (2017: 19.25%)	17,166	(26,112)
Non-deductible expenses	(33,245)	4
De-recognition of previously recognised deferred tax	-	5,506
Current year/period losses for which no deferred tax has been recognised	16,360	26,871
Other timing differences	64	110
Total tax expense	345	6,379

#### Factors that may affect future tax charges

A reduction in the UK corporation tax rate from 21% to 20% (effective from 1 April 2017) was substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2018) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2017, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2018. This will reduce the Company's future current tax charge accordingly.

Notes (*continued*)

**8 Taxation (continued)**

Following the decision of the company to cease trading once it has contractually completed all of its current contracts, no deferred tax asset has been recognised in the balance sheet following the reported trading losses.

**9 Property, plant and equipment**

	Leasehold land and buildings £000	Office equipment £000	Plant, machinery and motor vehicles £000	Total £000
<b>Cost</b>				
Balance at 1 January 2017	10	3,418	49	3,477
Additions	-	163	-	163
Balance at 30 December 2017	10	3,581	49	3,640
Balance at 31 December 2017	10	3,581	49	3,640
Additions	-	204	-	204
Disposals	-	(891)	-	(891)
Balance at 30 December 2018	10	2,894	49	2,953
<b>Depreciation and impairment</b>				
Balance at 1 January 2017	10	2,023	49	2,082
Depreciation charge for the year	-	737	-	737
Balance at 30 December 2017	10	2,760	49	2,819
Balance at 31 December 2017	10	2,760	49	2,819
Depreciation charge for the year	-	489	-	489
Disposals	-	(725)	-	(725)
Balance at 30 December 2018	10	2,524	49	2,583
<b>Net book value</b>				
At 1 January 2017	-	1,395	-	1,395
At 30 December 2017 and 31 December 2017	-	821	-	821
At 30 December 2018	-	370	-	370



## Notes (continued)

### 10 Intangible assets

	Goodwill £000	Total £000
<b>Cost</b>		
Balance at 1 January 2017 and 30 December 2017	4,262	4,262
	<hr/>	<hr/>
Balance at 31 December 2017 and 30 December 2018	4,262	4,262
	<hr/>	<hr/>
<b>Amortisation and impairment</b>		
Balance at 1 January 2017 and 30 December 2017	4,262	4,262
	<hr/>	<hr/>
Balance at 31 December 2017	4,262	4,262
Impairment charge	-	-
	<hr/>	<hr/>
Balance at 30 December 2018	4,262	4,262
	<hr/>	<hr/>
<b>Net book value</b>		
At 1 January 2017 and 31 December 2017	-	-
	<hr/>	<hr/>
<b>At 30 December 2018</b>	-	-
	<hr/>	<hr/>

Goodwill of £330,000 arose in the financial year ended 31 December 2004 on the acquisition of the trade and assets of the facility engineering division of the Company.

On 2 January 2016, the trade and assets of Scientific Lesser Limited were transferred to the Company. As a result of the transfer, the excess of the investment held in Scientific Lesser Limited over its remaining net assets was transferred to Goodwill (see Note 1).

In accordance with IAS36 the goodwill has been reviewed for impairment by the directors and they consider that the balance is fully impaired as it has neither a value in use or is it capable of being sold to a third party.

## Notes (continued)

### 11 Investments in subsidiaries

	Shares in Group Undertakings £000
<i>Shares</i>	
<i>Cost and net book value</i>	
Balance at 1 January 2018	4,513
Impairment	-
Additions	40
Disposals	(4,513)
<b>Balance at 30 December 2018</b>	<b>40</b>

The Company has the following investments in subsidiaries:

	Registered Office	Class of shares held	Ownership	
			30 Dec 2018	30 Dec 2017
Exyte Northern Europe Limited	J3 Maynooth Business Campus, Straffan Road, Maynooth, Co. Kildare	Ordinary	Nil%	100%
Exyte Hargreaves Limited	Unit C1 Methuen South, Methuen Park Bath Road Chippenham SN14 0GT	Ordinary	Nil%	100%
MW UK Engineering Limited	Unit C1 Methuen South, Methuen Park Bath Road Chippenham SN14 0GT	Ordinary	100%	Nil%

On 27 June 2018, the company sold 100% of the 2 wholly owned subsidiary companies for €202,000,000 in the form of cash held in deposit at Group level, as follows:

- Exyte Hargreaves Limited was sold to Exyte Singapore Pte. Ltd for a deferred consideration of €27,000,000 (£23,639,000), and
- Exyte Northern Europe Ltd was sold to Exyte Europe Holdings GmbH for a deferred consideration of €175,000,000 (£153,213,000)

Total profit resulting from the sale of these subsidiary companies was £172,338,000.

### 12 Deferred tax asset

#### Recognised deferred tax asset

Deferred tax assets and liabilities are attributable to the following:

	30 Dec 2018 £000	30 Dec 2017 £000
Differences between accumulated depreciation and capital allowances	83	(1)
Losses carried forward	(428)	(872)
Change in value of cash flow hedges	345	873
<b>Net deferred tax asset</b>	<b>-</b>	<b>-</b>

## Notes (continued)

### Movement in deferred tax during the year/period:

	30 Dec 2018 £000	30 Dec 2017 £000
Balance at 31 December and 1 January	-	5,506
Origination and reversal of timing differences	-	149
Impairment of deferred tax asset	-	(5,655)
	<hr/>	<hr/>
<b>Balance at 30 December</b>	<b>-</b>	<b>-</b>
	<hr/>	<hr/>

### 13 Trade and other receivables

	30 Dec 2018 £000	30 Dec 2017 £000
Trade receivables	6,028	11,379
Contract assets	16,544	16,725
Amounts owed by Group undertakings	3,626	7,013
Financial assets held for trading (note 20)	-	356
Tax receivable	265	265
Prepayments and accrued income	7,211	4,631
	<hr/>	<hr/>
	33,674	40,369
	<hr/>	<hr/>
Non-current	-	-
Current	33,674	40,634
	<hr/>	<hr/>

At 30 December 2018, aggregate costs incurred under open construction contracts and recognised profits, net of recognised losses, amounted to £141,570,000 (2017: £172,909,000).

Advances for which related work has not started, and billings in excess of costs incurred and recognised profits are presented as payments received on account and amounted to £34,336,000 (2017: £56,605,000).

At 31 December trade receivables include retentions of £3,039,000 (2017: £1,644,000) relating to construction contracts in progress.

### 14 Cash and cash equivalents

	30 Dec 2018 £000	30 Dec 2017 £000
Cash and cash equivalents	1,121	2,916
	<hr/>	<hr/>

## Notes (continued)

### 15 Trade and other payables

	30 Dec 2018 £000	30 Dec 2017 £000
<b>Current</b>		
Contract liabilities	34,336	56,605
Trade payables	34,072	67,492
Amounts owed to Group undertakings	4,144	79,452
Financial liabilities held for trading (note 20)	-	280
Accruals and deferred income	347	305
Other taxes and social security	943	959
	<u>73,842</u>	<u>205,093</u>

On 28 December 2018, the ultimate parent company, M+W Group GmbH, wrote off the net loan balance of £61,116,000, and has been included in equity as a capital contribution reserve (note 18).

### 16 Provisions

	<b>Onerous contracts £000</b>
Balance at 30 December 2017	40,778
Amounts used during the year	(120,467)
Additions during the year	91,446
	<u>11,757</u>
<b>Balance at 30 December 2018</b>	<u>11,757</u>
Current	11,757
Non-current	-
	<u>-</u>

#### Onerous contract provisions

The company adopted IFRS 15 Revenue from Contracts with Customers on 31 December 2017 retrospectively with the cumulative effect of the initial application recognised as an adjustment to opening equity (Note 1).

During the year, further losses resulted from the Energy from Waste (EfW) contracts have been recognised in profit and loss. These relate to contracts which are expected to be completed within 1 year.

## Notes (continued)

### 17 Employee benefits

#### Defined contribution plans

The Company operates a number of defined contribution pension plans. The total expense relating to these plans were:

	30 Dec 2018 £000	30 Dec 2017 £000
Pension contributions	692	806

Contributions that were payable to the schemes, which have been included in trade and other payables were:

	30 Dec 2018 £000	30 Dec 2017 £000
Pension costs contributions	111	108

### 18 Capital and reserves

#### Share capital

	Ordinary shares	
	30 Dec 2018	30 Dec 2017
In thousands of shares:		
On issue at 31 December and 30 December – fully paid	100	100
	£000	£000
Allotted, issued and fully paid	100	100
Equity: 100,000 ordinary shares of £1 each		

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

#### Share premium account

	30 Dec 2018 £000	30 Dec 2017 £000
Balance at 31 December and 30 December	2,601	2,601

#### Capital contribution reserve

	30 Dec 2018 £000	30 Dec 2017 £000
Balance at 31 December and 30 December	61,116	-

On 28 December 2018, the ultimate parent company, M+W Group GmbH, wrote off the net loan balance of £61,116,000, and has been included in equity as a capital contribution reserve.

#### Cash flow hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

## Notes (continued)

### 19 Financial instruments

The Company's financial instruments comprise cash balances, payables and receivables that arise from its operations.

The Company's activities expose it to various financial risks, market risk (foreign exchange risk) and credit risk.

#### *Foreign exchange risk*

The Company operates in the EU and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Euro. Foreign exchange risk arises primarily from recognised assets and liabilities. The directors consider, where the numbers involved are material to the business, derivative financial instruments to mitigate this exposure.

Forward exchange deals and currency options are used to hedge foreign currency exchange rate risks. Such transactions are used to hedge exchange rates relating to operational payment flows that are designated in foreign currencies.

M+W Group hedges planned purchases of materials denoted in foreign currencies, using forward exchange contracts, based on market assessments for periods of up to 30 months.

#### *Derivative financial instruments*

The fair value of forward exchange contracts is based on their listed market price, if available. If a listed market price is not available, then fair value is estimated by discounting the difference between the contractual forward price and current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds).

#### *Cash flow hedges*

The fair value of cash flow hedging instruments are:

	30 Dec 2018 £000	30 Dec 2017 £000
<b>Forward exchange contracts</b>		
Assets	-	356
Liabilities	-	(280)
	<hr/>	<hr/>
<b>Cash flow hedges</b>	-	76
	<hr/>	<hr/>

The amount recognised in other comprehensive income in respect of changes in fair value of cash flow hedges during the year was £Nil (2017: £1,817k).

## Notes (continued)

### 19 Financial instruments (continued)

#### Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to the financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers. The Company has a credit policy in place and exposure to credit risk is monitored on an on-going basis.

Credit risk arising on operating and other receivables, loans due to Group companies and cash and cash equivalents is mitigated by management involvement in Group companies.

The ageing of trade receivables and associated provision for impairment at the reporting date was:

	2018 Gross £000	2018 Provision £000	2017 Gross £000	2017 Provision £000
Not past due	6,028	-	11,644	-
Past due 0-30 days	-	-	-	-
Past due 31-60 days	-	-	-	-
Past due 61-90 days	-	-	-	-
Past due more than 91 days	-	-	-	-
<b>Net exposure</b>	<b>6,028</b>	<b>-</b>	<b>11,644</b>	<b>-</b>

#### Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company evaluates and follows continuously the amounts of liquid funds needed for the business operations, in order to secure the funding needed for business activities and loan repayments. The availability and flexibility of the financing is needed to assure the Company's financial position. The Company's funding comes from shareholder loans.

## Notes (continued)

### 19 Financial instruments (continued)

#### Market risk

Market risk is the risk that changes in the market prices, such as foreign exchange rates and interest rates will affect the Company's income or the value of its holdings of financial instruments.

The Company's exposure to foreign currency risk is as follows.

	30 December 2018				
	Sterling £000	USD £000	Euro £000	CHF £000	Total £000
Cash and cash equivalents	939	75	107	-	1,121
Trade receivables	5,413	-	615	-	6,028
Trade payables	(29,260)	(739)	(4,073)	-	(34,072)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>Net exposure</b>	<b>(22,908)</b>	<b>(664)</b>	<b>(3,351)</b>	<b>-</b>	<b>(26,923)</b>
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	30 December 2017				
	Sterling £000	USD £000	Euro £000	CHF £000	Total £000
Cash and cash equivalents	2,177	9	730	-	2,916
Trade receivables	10,851	-	528	-	11,379
Trade payables	(62,043)	(404)	(5,044)	(1)	(67,492)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>Net exposure</b>	<b>(49,015)</b>	<b>(395)</b>	<b>(3,786)</b>	<b>(1)</b>	<b>(53,197)</b>
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>



## Notes (continued)

### 20 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	30 Dec 2018 £000	30 Dec 2017 £000
Less than one year	191	225
Between one and five years	653	643
More than five years	67	228
	<u>911</u>	<u>1,096</u>

During the year, £295,000 was recognised as an expense in the income statement in respect of operating leases (2017: £364,000).

### 21 Related parties

	Sales during		Purchases during	
	30 Dec 2018 £000	30 Dec 2017 £000	30 Dec 2018 £000	30 Dec 2017 £000
M+W Group GmbH	-	-	2,270	2,170
M+W Germany GmbH	459	-	(197)	(741)
Exyte Northern Europe Limited	4,758	879	(289)	733
Exyte Hargreaves Limited	-	-	4,119	4,997
Other related parties	524	-	810	838
	<u>5,741</u>	<u>879</u>	<u>6,713</u>	<u>7,997</u>

	Receivables outstanding		Payables outstanding	
	30 Dec 2018 £000	30 Dec 2017 £000	30 Dec 2018 £000	30 Dec 2017 £000
M+W Group GmbH	631	319	375	1,102
M+W Germany GmbH	152	219	625	885
Exyte Northern Europe Limited	1,807	987	1,064	807
Exyte Hargreaves Limited	213	288	154	62
Other related parties	823	876	1,926	1,969
Group cash deposit	-	4,324	-	74,627
	<u>3,626</u>	<u>7,013</u>	<u>4,144</u>	<u>79,452</u>

On 28 December 2018, the ultimate parent company, M+W Group GmbH, wrote off the net loan balance of £61,116,000, and has been included in equity as a capital contribution reserve (Note 18).

## Notes (continued)

### 22 Accounting estimates and judgements

In preparing these financial statements, the directors are required to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical results, experience and other factors that are believed to be reasonable measures. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Certain critical accounting judgements in applying the company's accounting policies are described below:

- **Going concern**

As detailed in note 1 these financial statements have been prepared on break-up basis.

The directors have prepared cash flow forecasts and have concluded, on the basis of regular oral and written assurances and continuing financial support from its ultimate operational parent, that the Company will be able to operate for the period required to complete these contracts and close out its liabilities arising therefrom.

In preparing those forecasts, the directors have taken into account various risks and uncertainties, and the potential cash outflows required to complete the existing projects and despite the net liability position reflected in these accounts, the company has continued to meet all of its liabilities as they fall due as a result of the continuing financial support provided from the ultimate parent company.

The company continues to meet all of its contractual liabilities and still continues to receive the full backing and support from its ultimate operational parent, M+W Group GmbH, by way of a cash framework agreement, where funding is provided as and when required.

- **Revenue recognition**

The company has recognised construction contract debtors and the recoverability is regularly reviewed for each contract, and specific provisions are recognised for balances considered to be irrecoverable. The value of these contracts is dependent on the amount of costs incurred in performing these projects, and in order to apply the Company's policy for recognition of revenue from such contracts that are partially complete at the reporting date, the directors must assess both the proportion of the contract that has been completed and the total value that this represents.

- **Provisions**

Provisions are liabilities of uncertain timing or amount and therefore in making a reliable estimate of the value and timing of liabilities judgement is applied and re-evaluated at each reporting date. In respect of the onerous contract provisions, a thorough review of all contracts is undertaken and where the forecast total costs exceeds the contract value, a provision for the expected overall loss is recognised as an expense in the P&L immediately. The identified onerous contracts are being monitored closely, and any changes in estimated costs will be reflected in the onerous contract provision.

### 23 Ultimate parent company and parent company of larger group

The company is wholly owned by M+W Germany GmbH. The largest Group in which the results of the company are consolidated is that headed by M+W Group GmbH, incorporated in Germany. The consolidated accounts of this Company are available to the public and may be obtained from M+W Group GmbH, Löwentorbogen 9b, 30, 70376 Stuttgart, Germany

### 24 Change in significant accounting policies

The Company has applied IFRS 15 using the retrospective with cumulative effect method – i.e. by recognising the cumulative effect of initially applying IFRS 15 as an adjustment to the opening balance of equity at 31 December 2017. Therefore, the comparative information has not been restated and continues to be reported under IAS 18 and IAS 11. The details of the significant changes and quantitative impact of the changes are set out below.

## Notes (continued)

The adjustment relates to the recognition of the impact on transition to IFRS 15 as at 31 December 2017 of a £2,788,000 debit to equity. This adjustment primarily reflects the impact of unbundling 2 contracts to what the Company has assessed to be the performance obligations to be delivered to the customer.

The following table summarise the quantitative impact of adopting IFRS 15 on the Company's financial statements at 30 December 2018.

### Impact of adoption of IFRS 15 Balance Sheet

	As reported	Adjustment	Balances without adoption of IFRS 15
	£000	£'000	£000
<b>Non-current assets</b>			
Property, plant and equipment	370	-	370
Intangible assets	-	-	-
Investments in subsidiaries	40	-	40
	<u>410</u>	<u>-</u>	<u>410</u>
<b>Current assets</b>			
Inventories	-	-	-
Trade and other receivables	33,674	10,387	44,061
Cash and cash equivalents	1,121	-	1,121
	<u>34,795</u>	<u>10,387</u>	<u>45,182</u>
<b>Total assets</b>	<u>35,205</u>	<u>10,387</u>	<u>45,592</u>
<b>Current liabilities</b>			
Trade and other payables	(73,842)	(6,870)	(80,712)
Provisions	(11,757)	(3,517)	(15,274)
	<u>(85,599)</u>	<u>(10,387)</u>	<u>(95,986)</u>
<b>Net Current liabilities</b>	<u>(50,804)</u>	<u>-</u>	<u>(50,804)</u>
<b>Total liabilities</b>	<u>(85,599)</u>	<u>(10,387)</u>	<u>(95,986)</u>
<b>Net liabilities</b>	<u>(50,394)</u>	<u>-</u>	<u>(50,394)</u>
<b>Equity</b>			
Share capital	100	-	100
Share premium	2,601	-	2,601
Retained earnings	(114,211)	-	(114,211)
Capital contribution reserve	61,116	-	61,116
<b>Total equity</b>	<u>(50,394)</u>	<u>-</u>	<u>(50,394)</u>