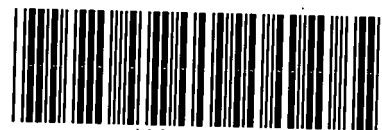


Company Registration No. 00677804 (England and Wales)

**Con Mech Engineers Limited**  
**Directors' Report And Financial Statements**  
**For The Year Ended 31 December 2013**

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# CON MECH ENGINEERS LIMITED

## COMPANY INFORMATION

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**Directors**

Mr R H S Dilley  
Mr D Neil  
Mrs C Ames  
Mr R J Dilley (Appointed 2 April 2013)

**Secretary**

Mr D Neil

**Company number**

00677804

**Registered office**

Harelaw Industrial Estate  
Annfield Plain  
Stanley  
DH9 8UR

**Auditors**

Garbutt & Elliott LLP  
Arabesque House  
Monks Cross Drive  
Huntington  
York  
YO32 9GW

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# CON MECH ENGINEERS LIMITED

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# CON MECH ENGINEERS LIMITED

## STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2013

---

The directors present the strategic report and financial statements for the year ended 31 December 2013.

### Review of the business

The directors are satisfied with the performance of the company. Sales declined by 14% from £9.66m to £8.31m, but profit before tax improved from £454k to £484k, an increase of 6.6%. This was the result of improved margins and broadly stable steel prices.

Detailed monthly management accounts are prepared at operating company level and are reviewed by the board to monitor performance against budget. The directors also monitor KPI's around turnover, margins and costs.

A further heat treatment furnace will be in operation from May 2014 and a new vertical machining centre with a 3.2 metre table has been installed. The company has strong reserves at the year end and the directors consider that with the continued investment in operational plant, the company is well placed to take advantage of future industry growth.

### Principal risks and uncertainties

The principal risks and uncertainties faced by the company include uncertainty over future prices of both steel and oil; and competition from overseas. Prices of steel and oil are monitored and where possible advantage is taken of lower prices through the building of increased stock levels. Competition is also monitored, particularly with regards to copyright.

With the exception of foreign exchange, the company does not actively use financial instruments as part of its financial risk management. The company is exposed to the usual credit risk and cash flow risk associated with selling on credit and manages this through credit control procedures. The nature of the financial instruments means that the company is not subject to a price risk or liquidity risk, other than as set out below.

The company undertakes significant sales and purchases in the Euro and US Dollar, which exposes it to foreign exchange rate risk. This risk is managed through the use of Euro and US Dollar current accounts.

On behalf of the board



.....  
Mr D Neil

Director

20/6/14.....

# CON MECH ENGINEERS LIMITED

## DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2013

---

The directors present their report and financial statements for the year ended 31 December 2013.

### Principal activities

The principal activity of the company continues to be the manufacture of construction and earth moving ground engaging tools, most of which are heat treated, and heat treatment work for third parties.

### Results and dividends

The results for the year are set out on page 6.

No dividends were paid during the year and the directors do not recommend payment of a final dividend.

### Directors

The following directors have held office since 1 January 2013:

Mr R H S Dilley

Mr D Neil

Mrs C Ames

Mr R Beetham

Mr R J Dilley

(Resigned 28 June 2013)

(Appointed 2 April 2013)

### Auditors

The auditors, Garbutt & Elliott LLP, are deemed to be reappointed under section 487(2) of the Companies Act 2006.

### Statement of directors' responsibilities

The directors are responsible for preparing the Strategic Report, Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

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

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

# CON MECH ENGINEERS LIMITED

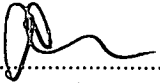
## DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2013

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### Statement of disclosure to auditors

So far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware. Additionally, the directors have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditors are aware of that information.

On behalf of the board



.....  
Mr D Neil

Director

20/6/14.....

# CON MECH ENGINEERS LIMITED

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CON MECH ENGINEERS LIMITED

---

We have audited the group and parent company financial statements of Con Mech Engineers Limited for the year ended 31 December 2013 set out on pages 6 to 16. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

### **Respective responsibilities of directors and auditors**

As explained more fully in the Directors' Responsibilities Statement set out on pages 2 - 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2013 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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

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

# CON MECH ENGINEERS LIMITED

## INDEPENDENT AUDITORS' REPORT (CONTINUED) TO THE MEMBERS OF CON MECH ENGINEERS LIMITED

---

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

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

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



Alan Sidebottom (Senior Statutory Auditor)  
for and on behalf of Garbutt & Elliott LLP

30 June 2014

Chartered Accountants  
Statutory Auditor

Arabesque House  
Monks Cross Drive  
Huntington  
York  
YO32 9GW



# CON MECH ENGINEERS LIMITED

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2013

	Notes	2013 £	2012 £
Turnover	2	8,307,440	9,659,152
Cost of sales		(6,457,424)	(7,674,237)
<b>Gross profit</b>		<b>1,850,016</b>	<b>1,984,915</b>
Distribution costs		(225,929)	(264,750)
Administrative expenses		(1,137,007)	(1,262,397)
<b>Operating profit</b>	3	<b>487,080</b>	<b>457,768</b>
Other interest receivable and similar income	4	115	1,200
Interest payable and similar charges	5	(3,456)	(4,758)
<b>Profit on ordinary activities before taxation</b>		<b>483,739</b>	<b>454,210</b>
Tax on profit on ordinary activities	6	(73,109)	(95,826)
<b>Profit for the year</b>	15	<b>410,630</b>	<b>358,384</b>

The profit and loss account has been prepared on the basis that all operations are continuing operations.

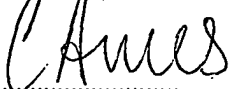
There are no recognised gains and losses other than those passing through the profit and loss account.

# CON MECH ENGINEERS LIMITED

## BALANCE SHEET AS AT 31 DECEMBER 2013

	Notes	2013		2012	
		£	£	£	£
<b>Fixed assets</b>					
Tangible assets	7		2,520,550		2,382,744
<b>Current assets</b>					
Stocks	8	1,339,053		1,301,417	
Debtors	9	1,930,531		1,717,305	
Cash at bank and in hand		743,013		903,154	
		<u>4,012,597</u>		<u>3,921,876</u>	
<b>Creditors: amounts falling due within one year</b>	10	(1,671,864)		(1,803,276)	
<b>Net current assets</b>			2,340,733		2,118,600
<b>Total assets less current liabilities</b>			<u>4,861,283</u>		<u>4,501,344</u>
<b>Creditors: amounts falling due after more than one year</b>	11		(12,446)		(63,137)
<b>Provisions for liabilities</b>	12		(315,000)		(315,000)
			<u>4,533,837</u>		<u>4,123,207</u>
<b>Capital and reserves</b>					
Called up share capital	14		500,000		500,000
Profit and loss account	15		4,033,837		3,623,207
<b>Shareholders' funds</b>	16		<u>4,533,837</u>		<u>4,123,207</u>

Approved by the Board and authorised for issue on 20/6/14.....



.....  
Mrs C Ames  
Director

Company Registration No. 00677804

# CON MECH ENGINEERS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

---

### 1 Accounting policies

#### 1.1 Accounting convention

The financial statements are prepared under the historical cost convention.

The company has taken advantage of the exemption in Financial Reporting Standard No 1 (Revised 1996) from the requirement to produce a cash flow statement on the grounds that it is a subsidiary undertaking where 90 percent or more of the voting rights are controlled within the group.

#### 1.2 Compliance with accounting standards

The financial statements are prepared in accordance with applicable United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), which have been applied consistently (except as otherwise stated).

#### 1.3 Turnover

Turnover represents amounts receivable for goods and services net of VAT and trade discounts and is recognised on dispatch.

#### 1.4 Tangible fixed assets and depreciation

Tangible fixed assets other than freehold land are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Assets under construction	No depreciation is charged until assets are brought into economic use
Buildings	10% reducing balance and 20% straight line
Plant and machinery	6.67% and 20% straight line, 10% and 20% reducing balance
Fixtures, fittings and equipment	10% reducing balance and 20% straight line
Motor vehicles	25% reducing balance

#### 1.5 Leasing and hire purchase commitments

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible assets and depreciated over the shorter of the lease term and their useful lives. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

#### 1.6 Stock and work in progress

Stock and work in progress is valued at the lower of cost and net realisable value, and is recognised on the receipt of goods.

#### 1.7 Pensions

The company operates a defined contribution scheme for the benefit of its employees. Contributions payable are charged to the profit and loss account in the year they are payable.

#### 1.8 Deferred taxation

Deferred taxation is provided at appropriate rates on all timing differences using the liability method only to the extent that, in the opinion of the directors, there is a reasonable probability that a liability or asset will crystallise in the foreseeable future.

# CON MECH ENGINEERS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2013

### 1 Accounting policies (Continued)

#### 1.9 Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to profit and loss account.

### 2 Turnover

#### Geographical market

	Turnover	
	2013	2012
	£	£
United Kingdom	4,553,390	4,974,527
European Union	1,252,609	1,806,318
Rest of the World	2,501,441	2,878,307
	<u>8,307,440</u>	<u>9,659,152</u>

### 3 Operating profit

Operating profit is stated after charging:

	2013	2012
	£	£
Depreciation of tangible assets	250,000	234,707
Loss on disposal of tangible assets	1,697	2,034
Loss on foreign exchange transactions	21,525	-
Operating lease rentals		
- Plant and machinery	56,842	24,690
Auditors' remuneration	10,185	9,925
and after crediting:		
Profit on foreign exchange transactions	-	(34,732)
	<u>-</u>	<u>(34,732)</u>

### 4 Investment income

	2013	2012
	£	£
Other interest	115	1,200
	<u>115</u>	<u>1,200</u>

### 5 Interest payable

	2013	2012
	£	£
Hire purchase interest	3,456	4,758
	<u>3,456</u>	<u>4,758</u>

# CON MECH ENGINEERS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2013

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<b>6 Taxation</b>	<b>2013</b>	<b>2012</b>
	<b>£</b>	<b>£</b>
<b>Domestic current year tax</b>		
U.K. corporation tax	73,050	130,500
Adjustment for prior years	59	(174)
	<u>73,109</u>	<u>130,326</u>
<b>Deferred tax</b>		
Deferred tax charge/credit current year	-	(34,500)
	<u>73,109</u>	<u>95,826</u>
<b>Factors affecting the tax charge for the year</b>		
Profit on ordinary activities before taxation	483,739	454,210
	<u>483,739</u>	<u>454,210</u>
Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 23.30% (2012 - 24.50%)	112,711	111,281
	<u>112,711</u>	<u>111,281</u>
<b>Effects of:</b>		
Non deductible expenses	3,634	24,599
Depreciation add back	58,250	58,002
Capital allowances	(101,391)	(63,308)
Adjustments to previous periods	59	(174)
Other tax adjustments	(154)	(74)
	<u>(39,602)</u>	<u>19,045</u>
<b>Current tax charge for the year</b>	<u>73,109</u>	<u>130,326</u>

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# CON MECH ENGINEERS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2013

### 7 Tangible fixed assets

	Assets under construction	Buildings	Plant and machinery	Fixtures, fittings and equipment	Motor vehicles	Total
	£	£	£	£	£	£
<b>Cost</b>						
At 1 January 2013	29,179	158,547	4,446,751	334,252	75,568	5,044,297
Exchange differences	(76,648)	21,739	51,009	3,900	-	-
Additions	354,782	-	24,834	-	33,245	412,861
Disposals	-	-	-	(72,138)	(50,005)	(122,143)
At 31 December 2013	307,313	180,286	4,522,594	266,014	58,808	5,335,015
<b>Depreciation</b>						
At 1 January 2013	-	27,513	2,323,364	282,262	28,414	2,661,553
On disposals	-	-	-	(71,977)	(25,111)	(97,088)
Charge for the year	-	16,820	208,944	11,957	12,279	250,000
At 31 December 2013	-	44,333	2,532,308	222,242	15,582	2,814,465
<b>Net book value</b>						
At 31 December 2013	307,313	135,953	1,990,286	43,772	43,226	2,520,550
At 31 December 2012	29,179	131,034	2,123,387	51,990	47,154	2,382,744

Included above are assets held under finance leases or hire purchase contracts as follows:

	Plant and machinery £
<b>Net book values</b>	
At 31 December 2013	215,608
At 31 December 2012	234,478
<b>Depreciation charge for the year</b>	
At 31 December 2013	18,870
At 31 December 2012	18,866

# CON MECH ENGINEERS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2013

<b>8 Stocks and work in progress</b>	<b>2013</b>	<b>2012</b>
	£	£
Raw materials and consumables	1,204,226	1,181,869
Work in progress	77,379	74,587
Finished goods and goods for resale	57,448	44,961
	<u>1,339,053</u>	<u>1,301,417</u>
<b>9 Debtors</b>	<b>2013</b>	<b>2012</b>
	£	£
Trade debtors	1,818,048	1,611,124
Amounts owed by parent and fellow subsidiary undertakings	45,055	21,524
Other debtors	17,131	45,726
Prepayments and accrued income	50,297	38,931
	<u>1,930,531</u>	<u>1,717,305</u>
<b>10 Creditors: amounts falling due within one year</b>	<b>2013</b>	<b>2012</b>
	£	£
Net obligations under hire purchase contracts	50,847	53,234
Trade creditors	447,742	560,772
Amounts owed to parent and fellow subsidiary undertakings	821,248	777,395
Corporation tax	13,050	15,500
Other taxes and social security costs	52,625	58,185
Other creditors	75,992	60,318
Accruals and deferred income	210,360	277,872
	<u>1,671,864</u>	<u>1,803,276</u>

Net obligations under finance leases and hire purchase contracts are secured by fixed charges on the assets concerned.

# CON MECH ENGINEERS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2013

<b>11</b>	<b>Creditors: amounts falling due after more than one year</b>	<b>2013</b>	<b>2012</b>
		£	£
	Net obligations under hire purchase contracts	12,446	63,137
		<u>          </u>	<u>          </u>

Net obligations under finance lease and hire purchase contracts are secured by fixed charges on the assets concerned.

**Net obligations under hire purchase contracts**

	Repayable within one year	50,847	53,234
	Repayable between one and five years	12,446	63,137
		<u>          </u>	<u>          </u>
		63,293	116,371
	Included in liabilities falling due within one year	(50,847)	(53,234)
		<u>          </u>	<u>          </u>
		12,446	63,137
		<u>          </u>	<u>          </u>

**12 Provisions for liabilities**

			<b>Deferred tax liability</b>
			<b>£</b>
	Balance at 1 January 2013 & at 31 December 2013		315,000
			<u>          </u>

The deferred tax liability is made up as follows:

		<b>2013</b>	<b>2012</b>
		£	£
	Accelerated capital allowances	315,000	315,000
		<u>          </u>	<u>          </u>

**13 Pension and other post-retirement benefit commitments**  
**Defined contribution**

		<b>2013</b>	<b>2012</b>
		£	£
	Contributions payable by the company for the year	39,582	32,749
		<u>          </u>	<u>          </u>



# CON MECH ENGINEERS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2013

---

<b>14 Share capital</b>	<b>2013</b>	<b>2012</b>
	£	£
<b>Allotted, called up and fully paid</b>		
500,000 Ordinary shares of £1 each	500,000	500,000

<b>15 Statement of movements on profit and loss account</b>		<b>Profit and loss account</b>
		£
Balance at 1 January 2013		3,623,207
Profit for the year		410,630
Balance at 31 December 2013		4,033,837

<b>16 Reconciliation of movements in shareholders' funds</b>	<b>2013</b>	<b>2012</b>
	£	£
Profit for the financial year	410,630	358,384
Opening shareholders' funds	4,123,207	3,764,823
Closing shareholders' funds	4,533,837	4,123,207

### 17 Contingent liabilities

The company is party to a group guarantee over any bank overdrafts which may from time to time arise. At the year end, bank overdrafts of relevant group companies totalled £510,429 (2012 - £930,313). At the year end the net bank balance was £1,230,076 (2012 - £850,293).

### 18 Financial commitments

At 31 December 2013 the company was committed to making the following payments under non-cancellable operating leases in the year to 31 December 2014:

	<b>Other</b>	
	<b>2013</b>	<b>2012</b>
	£	£
Operating leases which expire:		
Within one year	-	4,566
Between two and five years	64,808	40,479
	64,808	45,045

# CON MECH ENGINEERS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2013

<b>19 Capital commitments</b>	<b>2013</b>	<b>2012</b>
	£	£

At 31 December 2013 the company had capital commitments as follows:

Contracted for but not provided in the financial statements	186,028	-
	<u>          </u>	<u>          </u>

<b>20 Directors' remuneration</b>	<b>2013</b>	<b>2012</b>
	£	£

Remuneration for qualifying services	28,082	73,433
Company pension contributions to defined contribution schemes	3,862	6,871
	<u>          </u>	<u>          </u>
	<u>31,944</u>	<u>80,304</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 1 (2012 - 1).

### 21 Employees

#### Number of employees

The average monthly number of employees (including directors) during the year was:

	<b>2013</b>	<b>2012</b>
	Number	Number
Production	63	62
Sales and distribution	7	4
Administration and support	5	13
	<u>          </u>	<u>          </u>
	<u>75</u>	<u>79</u>

<b>Employment costs</b>	<b>2013</b>	<b>2012</b>
	£	£

Wages and salaries	1,772,947	1,987,570
Social security costs	150,058	170,688
Other pension costs	39,582	32,749
	<u>          </u>	<u>          </u>
	<u>1,962,587</u>	<u>2,191,007</u>

# CON MECH ENGINEERS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2013

---

### 22 Control

The ultimate parent company is Con Mech Group Limited. Con Mech Group Limited prepares group accounts that can be obtained from Companies House, Crown Way, Cardiff, CF14 3UZ. The ultimate controlling party is Mr R H S Dilley, a director of the company.

### 23 Related party relationships and transactions

The company has taken advantage of the exemption available in FRS 8 "Related party disclosures" whereby it has not disclosed transactions with the ultimate parent company or any wholly owned subsidiary undertaking of the group.

The company made sales during the year to Henry Williams Limited, a non-wholly owned fellow subsidiary, of £291,980 (2012 - £358,238), purchases from Henry Williams Limited of £52,696 (2012 - £56,850), and was charged management charges of £nil (2012 - £20,000). At the year end this company was owed £23,599 (2012 - £21,524), and owed £6,735 (2012 - £15,932), to Henry Williams Limited.

During the year the company sold a motor vehicle to Mr R Beetham, a director who resigned from the company during the year, for £15,400, being its market value at that date.