

Consolidated Financial Statements

Ayrshire Metal Products plc

For the Year Ended 31 December 2017



Registered number: SC006517

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Company Information

Directors	M L Wilson (Chairman) P J Short (Managing Director) (resigned 31 March 2018) M J Brown (resigned 31 March 2018) D K Pickerill F M Stafford-Charles
Company secretary	D K Pickerill
Registered number	SC006517
Registered office	40 North Castle Street Edinburgh EH2 3BN
Independent auditor	Grant Thornton UK LLP Chartered Accountants & Senior Statutory Auditor The Colmore Building 20 Colmore Circus Birmingham West Midlands B4 6AT

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Group Strategic Report

For the Year Ended 31 December 2017

Business review

The Group made a lower profit in 2017 compared to 2016. At the year end the Group had net assets of £7.7m (2016: £7.5m) which includes cash balances of £3.0m (2016: £3.5m). The outlook for 2018 is very uncertain. The Directors do not consider it appropriate to recognise a pension asset as required by accounting standards.

Principal risks and uncertainties

The Directors consider the principle risks and uncertainties to the business to be;

- i) any decline in the economic and market conditions
- ii) an increase in competitive pricing
- iii) reduced margins

Key performance indicators

	2017	2016
	%	%
Return before tax on net assets	3.1	6.9
Return before tax on sales	1.0	2.5
Operating margin to sales	1.0	2.4

Financial risk management and objectives

The group plans to finance its operations through retained profits and cash. The group has various financial instruments such as trade debtors and trade creditors. The main purpose of the cash is to maintain adequate resources for the group's operations. The group does not enter into derivative transactions.

The group does trade in financial instruments. The board reviews and agrees policies for managing each of the following risks;

Interest rate risk

The group seeks to deposit cash assets safely to minimise risk while maximising the interest received.

Liquidity risk

The group seeks to ensure it has sufficient liquidity available to meet foreseeable needs. Cash reserves minimise liquidity risk.

Currency risk

The group is exposed to translation and transaction foreign exchange risks. The group seeks to manage these risks by limiting exposure to foreign exchange fluctuation

Credit risk

All customers who wish to trade on credit terms are subject to credit vetting procedures, and debtors are monitored on an ongoing basis.

Ayrshire Metal Products plc

Group Strategic Report (continued)

For the Year Ended 31 December 2017

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



M L Wilson (Chairman)
Director

Date: 26 April 2018

Directors' Report

For the Year Ended 31 December 2017

The directors present their report and the financial statements for the year ended 31 December 2017.

Results and dividends

The profit for the year, after taxation, amounted to £144k (2016 - £377k).

The operating profit for the year amounted to £238k (2016: £521k).

The directors paid a dividend of £nil during the year (2016: £985k).

Directors

The directors who served during the year were:

M L Wilson (Chairman)

P J Short (Managing Director) (resigned 31 March 2018)

M J Brown (resigned 31 March 2018)

D K Pickerill

F M Stafford-Charles

Mr F M Stafford-Charles retires by rotation and being eligible offers himself for re-election to the board.

Directors' responsibilities statement

The directors are responsible for preparing the Group strategic report, the Directors' report and the consolidated financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period.

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

- select suitable accounting policies for the Group's financial statements and then apply them consistently;
- make judgments 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 Group 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 the Group and to 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 the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Research and development activities

The Group is committed to research and development in order to secure its position as one of the largest producers of cold formed profiles.

Directors' Report (continued)

For the Year Ended 31 December 2017

Employee involvement

The Group's policy is to consult and discuss with employees, through staff councils, unions and at meetings, matters likely to affect employee's interest. Information on all matters of concern to employees is given through information bulletins which seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting the Group's performance. The employment policies operated throughout the Group are designed to ensure full and consideration to all and, where appropriate, to promote the employment of disabled persons, and ensure continuity of employment and training for those persons who may become disabled during their period of employment with the Group. Continued close attention is paid to the health and safety of employees while at work. Consultation with employees is organised according to the particular needs of each location at which the Group operates. It is the policy of the Group that training, development and promotion activities should be obtainable by all employees.

Payment policy

The Group's policy is to agree the terms of payment with suppliers prior to transacting. Trade creditors at the year end amounted to 37 days of average supplies (2016: 47 days).

Matters covered in the strategic report

Included in the strategic report is the business review, principal risks and uncertainties and key performance indicators.

Disclosure of information to auditor

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company and the Group's auditor is unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company and the Group's auditor is aware of that information.

Post balance sheet events

There have been no significant events affecting the Group since the year end.

Auditor

The auditor, Grant Thornton UK LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

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



M L Wilson (Chairman)
Director

Date: 26 April 2018

Independent Auditor's Report to the Members of Ayrshire Metal Products plc

Opinion

We have audited the financial statements of Ayrshire Metal Products plc (the 'parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2017, which comprise the Consolidated Income statement, the Consolidated Statement of comprehensive income, the Consolidated and Company Statements of financial position, the Consolidated Statement of cash flows, the Consolidated and Company Statement of changes in equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, except for the matter described in the Basis for qualified opinion section of our report, the Financial Statements:

- give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 December 2017 and of the Group's 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.

Independent Auditor's Report to the Members of Ayrshire Metal Products plc (continued)

Basis for Qualified Opinion

As detailed in note 24 to the Financial Statements, no recognition of the asset has been made in either the current or comparative period, for the assets and liabilities which arise on the continuing application of Section 28 'Employee Benefits' of FRS 102 in relation to the Group's and Parent Company's defined benefit pension scheme. As disclosed in note 24 the unrecognised pension scheme asset at 31 December 2017 was £264,000 (2016: £520,000) and the related unrecognised deferred tax liability was £45,000 (2016: £88,000). No entries have been made in the Group and Parent Company Statements of Financial Position in relation to the pension scheme asset or the related deferred tax liability. No entries have been reflected in the Consolidated Income Statement or the Consolidated Statement of Comprehensive Income in relation to the related movements and charges in the year. In our opinion the pension scheme asset and related deferred taxation liability are required to be accounted for under Section 28 of FRS 102.

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Who we are reporting to

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.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the parent Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our Auditor's report thereon. Our opinion on the financial statements does not cover the information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Independent Auditor's Report to the Members of Ayrshire Metal Products plc (continued)

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Group strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Group strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

Matter on which we are required to report under Companies Act 2006

In the light of the knowledge and understanding of the Group and the parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Group strategic report and the Directors' report.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company 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.



Independent Auditor's Report to the Members of Ayrshire Metal Products plc (continued)

Responsibilities of directors

As explained more fully in the Directors' responsibilities statement on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the parent 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 the directors either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

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 an Auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. The description forms part of our Auditor's report.

A handwritten signature in black ink, appearing to read "David White".

David White (Senior statutory auditor)
for and on behalf of

Grant Thornton UK LLP
Chartered Accountants
Senior Statutory Auditor
Birmingham

27 April 2018

Consolidated Income Statement

For the Year Ended 31 December 2017

	Note	2017 £000	2016 £000
Turnover	4	24,826	21,413
Cost of sales		(19,058)	(14,752)
Gross profit		5,768	6,661
Distribution costs		(721)	(778)
Administrative expenses		(4,809)	(5,362)
Operating profit	5	238	521
Interest receivable and similar income	8	-	6
Profit before tax		238	527
Tax on profit	9	(94)	(150)
Profit for the financial year		144	377

The notes on pages 17 to 36 form part of these financial statements.

Consolidated Statement of Comprehensive Income

For the Year Ended 31 December 2017

	2017 £000	2016 £000
Profit for the financial year	144	377
Other comprehensive income		
Movement on deferred tax on revaluation of tangible fixed assets	13	13
Currency translation differences	70	297
Other comprehensive income for the year	83	310
Total comprehensive income for the year	227	687

The notes on pages 17 to 36 form part of these financial statements.

Consolidated Statement of Financial Position

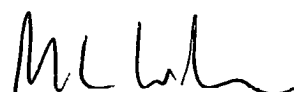
As at 31 December 2017

	Note	2017 £000	2016 £000
Fixed assets			
Tangible assets	12	4,065	4,169
		<u>4,065</u>	<u>4,169</u>
Current assets			
Stocks	14	2,433	2,332
Debtors: amounts falling due within one year	15	2,975	2,654
Cash at bank and in hand	16	2,971	3,493
		<u>8,379</u>	<u>8,479</u>
Creditors: amounts falling due within one year		(4,440)	(4,854)
Net current assets		<u>3,939</u>	<u>3,625</u>
Total assets less current liabilities		<u>8,004</u>	<u>7,794</u>
Provisions for liabilities			
Deferred tax	19	(298)	(315)
		<u>(298)</u>	<u>(315)</u>
Net assets		<u><u>7,706</u></u>	<u><u>7,479</u></u>
Capital and reserves			
Called up share capital	20	2,463	2,463
Revaluation reserve	21	2,682	2,746
Capital redemption reserve	21	37	37
Profit and loss account	21	2,524	2,233
		<u>7,706</u>	<u>7,479</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 26 April 2018.



F M Stafford-Charles
Director



M L Wilson (Chairman)
Director

The notes on pages 17 to 36 form part of these financial statements.

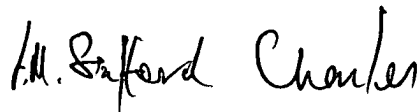
Company Statement of Financial Position


As at 31 December 2017

	Note	2017 £000	2016 £000
Fixed assets			
Tangible assets	12	14	14
Investments	13	1,460	1,460
		<u>1,474</u>	<u>1,474</u>
Current assets			
Debtors: amounts falling due within one year	15	4,486	3,764
Cash at bank and in hand	16	1,151	990
		<u>5,637</u>	<u>4,754</u>
Creditors: amounts falling due within one year	17	(11)	(69)
Net current assets		<u>5,626</u>	<u>4,685</u>
Total assets less current liabilities		<u>7,100</u>	<u>6,159</u>
Net assets		<u><u>7,100</u></u>	<u><u>6,159</u></u>
Capital and reserves			
Called up share capital	20	2,463	2,463
Capital redemption reserve	21	37	37
Profit and loss account	21	4,600	3,659
		<u>7,100</u>	<u>6,159</u>

The parent company profit for the year is £941,000 (2016: £3,000).

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


F M Stafford-Charles
Director


M L Wilson (Chairman)
Director

Date: 26 April 2018

The notes on pages 17 to 36 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the Year Ended 31 December 2017

	Called up share capital	Capital redemption reserve	Revaluation reserve	Profit and loss account	Total equity
	£000	£000	£000	£000	£000
At 1 January 2017	2,463	37	2,746	2,233	7,479
Comprehensive income for the year					
Profit for the year	-	-	-	144	144
Currency translation differences	-	-	-	70	70
Surplus on revaluation of freehold property	-	-	13	77	90
Other comprehensive income for the year	-	-	13	147	160
Total comprehensive income for the year	-	-	13	291	304
Transfer to/from profit and loss account	-	-	(77)	-	(77)
At 31 December 2017	2,463	37	2,682	2,524	7,706

Consolidated Statement of Changes in Equity

For the Year Ended 31 December 2016

	Called up share capital	Capital redemption reserve	Revaluation reserve	Profit and loss account	Total equity
	£000	£000	£000	£000	£000
At 1 January 2016	2,463	37	2,810	2,467	7,777
Comprehensive income for the year					
Profit for the year	-	-	-	377	377
Currency translation differences	-	-	-	297	297
Surplus on revaluation of freehold property	-	-	13	77	90
Other comprehensive income for the year	-	-	13	374	387
Total comprehensive income for the year	-	-	13	751	764
Dividends: Equity capital	-	-	-	(985)	(985)
Transfer to/from profit and loss account	-	-	(77)	-	(77)
Total transactions with owners	-	-	(77)	(985)	(1,062)
At 31 December 2016	2,463	37	2,746	2,233	7,479

The notes on pages 17 to 36 form part of these financial statements.

Company Statement of Changes in Equity

For the Year Ended 31 December 2017

	Called up share capital	Capital redemption reserve	Profit and loss account	Total equity
	£000	£000	£000	£000
At 1 January 2017	2,463	37	3,659	6,159
Comprehensive income for the year				
Profit for the year	-	-	941	941
Total comprehensive income for the year	-	-	941	941
At 31 December 2017	2,463	37	4,600	7,100

Retained earnings of the parent company at 31 December 2017 include a dividend of £941,000 received by Ayrshire Metal Products PLC from a subsidiary company System-Bau-Elemente Vertriebs GmbH.

Company Statement of Changes in Equity

For the Year Ended 31 December 2016

	Called up share capital	Capital redemption reserve	Profit and loss account	Total equity
	£000	£000	£000	£000
At 1 January 2016	2,463	37	4,641	7,141
Comprehensive income for the year				
Profit for the year	-	-	3	3
Total comprehensive income for the year	-	-	3	3
Contributions by and distributions to owners				
Dividends: Equity capital	-	-	(985)	(985)
Total transactions with owners	-	-	(985)	(985)
At 31 December 2016	2,463	37	3,659	6,159

The notes on pages 17 to 36 form part of these financial statements.

Consolidated Statement of Cash Flows

For the Year Ended 31 December 2017

	2017 £000	2016 £000
Cash flows from operating activities		
Profit for the financial year	144	377
Adjustments for:		
Depreciation of tangible assets	322	318
Profit on disposal of tangible assets	(16)	(3)
Interest received	-	(6)
Taxation charge	94	150
(Increase) in stocks	(101)	(411)
(Increase) in debtors	(266)	(184)
(Decrease)/increase in creditors	(587)	1,104
Corporation tax received	20	34
Net cash (used by)/generated from operating activities	<u>(390)</u>	<u>1,379</u>
Cash flows used by investing activities		
Purchase of tangible fixed assets	(218)	(198)
Sale of tangible fixed assets	16	3
Interest received	-	6
Net cash used by investing activities	<u>(202)</u>	<u>(189)</u>
Cash flows from financing activities		
Dividends paid	-	(985)
Net cash used by financing activities	<u>-</u>	<u>(985)</u>
Net (decrease)/increase in cash and cash equivalents	<u>(592)</u>	<u>205</u>
Cash and cash equivalents at beginning of year	3,493	2,992
Foreign exchange gains and losses	70	296
Cash and cash equivalents at the end of year	<u>2,971</u>	<u>3,493</u>
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	<u>2,971</u>	<u>3,493</u>
	<u>2,971</u>	<u>3,493</u>

Notes to the Financial Statements

For the Year Ended 31 December 2017

1. General information

Ayrshire Metal Products plc is a limited liability company incorporated in Scotland. Its registered office address is 40 North Castle Street, Edinburgh, EH2 3BN. The principal activity of the Company is the manufacture of cold rolled steel profiles.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgment in applying the Group's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Basis of consolidation

The consolidated financial statements present the results of the Company and its own subsidiaries ("the Group") as if they form a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the Statement of financial position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Consolidated statement of comprehensive income from the date on which control is obtained. They are deconsolidated from the date control ceases.

2.3 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Sale of goods

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

- the Group has transferred the significant risks and rewards of ownership to the buyer;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the Group will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Notes to the Financial Statements

For the Year Ended 31 December 2017

2. Accounting policies (continued)

2.4 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

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

Depreciation is provided on the following basis:

Freehold property	- 3.5%
Long-term leasehold property	- 3.5%
Plant and machinery	- 8-50%

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Consolidated income statement.

2.5 Revaluation of tangible fixed assets

Individual freehold and leasehold properties are carried at current year value at fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are undertaken with sufficient regularity to ensure the carrying amount does not differ materially from that which would be determined using fair value at the Statement of financial position date.

Fair values are determined from market based evidence normally undertaken by professionally qualified valuers.

Revaluation gains and losses are recognised in the Consolidated income statement unless losses exceed the previously recognised gains or reflect a clear consumption of economic benefits, in which case the excess losses are recognised in profit or loss.

2.6 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.7 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

At each reporting date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

Notes to the Financial Statements

For the Year Ended 31 December 2017

2. Accounting policies (continued)

2.8 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.9 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Consolidated statement of cash flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Group's cash management.

2.10 Financial instruments

The Group only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Consolidated profit and loss account.

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

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

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

Notes to the Financial Statements

For the Year Ended 31 December 2017

2. Accounting policies (continued)

2.11 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.12 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Consolidated income statement except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Consolidated income statement within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Consolidated income statement within 'other operating income'.

On consolidation, the results of overseas operations are translated into Sterling at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations are translated at the rate ruling at the reporting date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised in other comprehensive income.

2.13 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting. Dividends on shares recognised as liabilities are recognised as expenses and classified within interest payable.

2.14 Operating leases

Rentals paid under operating leases are charged to the Consolidated income statement on a straight line basis over the lease term.

Notes to the Financial Statements

For the Year Ended 31 December 2017

2. Accounting policies (continued)

2.15 Pensions

Defined contribution pension plan

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

The contributions are recognised as an expense in the Consolidated income statement when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of financial position. The assets of the plan are held separately from the Group in independently administered funds.

Defined benefit pension plan

The Group operates a defined benefit pension scheme. Certain Directors are members of the scheme. The funds are valued every three years by a professionally qualified independent actuary, the rates of contribution payable being determined by the actuary. In the intervening years the actuary reviews the continuing appropriateness of the rates.

Scheme assets are measured at fair values. Scheme liabilities are measured on an actuarial basis using the projected unit method and are discounted at appropriate high quality corporate bond rates.

The assets of the scheme are held, administered and invested independently of the Group.

Historically the pension scheme assets were shown in the Balance Sheet. From 2015 onwards, the pension scheme assets are not reflected within the Statements of Financial Position and entries are not reflected in the Consolidated Income Statement or the Consolidated Statement of Comprehensive Income in respect to related movements and charges. This is not in accordance with disclosure requirements under FRS 102. Disclosures in respect to the relevant scheme are set out in note 24.

2.16 Interest income

Interest income is recognised in the Consolidated income statement using the effective interest method.

2.17 Provisions for liabilities

Provisions are made where an event has taken place that gives the Group a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Consolidated income statement in the year that the Group becomes aware of the obligation, and are measured at the best estimate at the Statement of financial position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of financial position.

Notes to the Financial Statements

For the Year Ended 31 December 2017

2. Accounting policies (continued)

2.18 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Consolidated income statement, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company and the Group operate and generate income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of financial position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the Group can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

2.19 Research and development

In the research and development phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research and development shall be recognised as an expense when it is incurred. Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured.

Notes to the Financial Statements

For the Year Ended 31 December 2017

3. Judgments in applying accounting policies and key sources of estimation uncertainty

The principal judgements and estimates considered by Directors in these Financial Statements are as follows:

-Actuarial assumptions in relation to the defined benefit pension scheme - the assumptions are set out in detail in note 24 and Directors have taken advice from an Actuary in the preparation of the scheme valuation and related disclosures.

-The valuation of freehold property as set out in note 12 is an estimate obtained from the Directors.

-The rates of depreciation applied to fixed assets are management estimates. The rates applied are based on the experience of the business in the consumption of economic value of different classes of assets and are regularly reconsidered as the business develops.

-Other provisions made which could have an impact on the financial statements include a bad debt provision. This is based on a set of criteria designed by the Company and applied on a consistent basis.

-Provision for claims. At each reporting date, management make an assessment and recognise, if necessary, a provision based on the estimated outcome of any ongoing claims.

4. Turnover

The whole of the turnover is attributable to the principal activity of the business.

The geographical analyses are not disclosed as the Directors believe this is prejudicial to the interest of the Group.

5. Operating profit

The operating profit is stated after charging:

	2017 £000	2016 £000
Depreciation of tangible fixed assets	322	318
Fees payable to the Group's auditor and its associates for the audit of the Company's annual financial statements	3	3
- The audit of the Group's subsidiaries pursuant to legislation	26	25
- Taxation compliance services	7	7
- Review of pension trust	4	4
- Accounts preparation	3	-
Exchange differences	53	215
Operating lease rentals - buildings	97	89
Operating lease rentals - plant, machinery and vehicles	175	160
	<u> </u>	<u> </u>

Notes to the Financial Statements

For the Year Ended 31 December 2017

6. Employees

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

	2017 £000	2016 £000
Wages and salaries	5,549	5,894
Social security costs	475	426
Cost of defined contribution scheme	101	91
	<u>6,125</u>	<u>6,411</u>

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

	2017 No.	2016 No.
Management	13	12
Administration	41	38
Sales	31	30
Production	64	60
	<u>149</u>	<u>140</u>

7. Directors' remuneration and key management remuneration

	2017 £000	2016 £000
Directors' emoluments	799	955
Company contributions to defined contribution pension schemes	3	3
	<u>802</u>	<u>958</u>

During the year retirement benefits were accruing to 3 directors (2016 - 3) in respect of defined benefit pension schemes and 1 director (2016: 1) participated in the defined contribution scheme.

The highest paid director received remuneration of £335k (2016 - £422k).

The highest paid Director's accrued pension at the year end amounted to £72k (2016 - £68k).

Notes to the Financial Statements

For the Year Ended 31 December 2017

	2017 £000	2016 £000
Key management remuneration	1,246	1,765
Company contributions to defined contribution pension schemes	7	6
	<u>1,253</u>	<u>1,771</u>
	<u><u>1,253</u></u>	<u><u>1,771</u></u>
8. Interest receivable		
	2017 £000	2016 £000
Income from short term deposits	-	6
	<u>-</u>	<u>6</u>
	<u><u>-</u></u>	<u><u>6</u></u>
9. Taxation		
	2017 £000	2016 £000
Corporation tax		
Current tax on profits for the year	23	77
Adjustments in respect of previous periods	(2)	(2)
	<u>21</u>	<u>75</u>
	<u><u>21</u></u>	<u><u>75</u></u>
Foreign tax		
Foreign tax on income for the year	77	61
	<u>77</u>	<u>61</u>
	<u><u>77</u></u>	<u><u>61</u></u>
Total current tax	<u>98</u>	<u>136</u>
	<u><u>98</u></u>	<u><u>136</u></u>
Deferred tax		
Origination and reversal of timing differences	(4)	14
	<u>(4)</u>	<u>14</u>
Total deferred tax	<u>(4)</u>	<u>14</u>
	<u><u>(4)</u></u>	<u><u>14</u></u>
Taxation on profit on ordinary activities	<u>94</u>	<u>150</u>
	<u><u>94</u></u>	<u><u>150</u></u>

Notes to the Financial Statements

For the Year Ended 31 December 2017

9. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is the same as (2016 - higher than) the standard rate of corporation tax in the UK of 19.25% (2016 - 20%). The differences are explained below:

	2017 £000	2016 £000
Profit on ordinary activities before tax	238	527
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.25% (2016 - 20%)	46	105
Effects of:		
Expenses not deductible for tax purposes	1	4
Effects of change in rates	-	(2)
Income not deductible	(3)	-
Higher rate taxes on overseas earnings	36	45
Adjustments to tax charge in respect of prior periods	(2)	(2)
Fixed asset differences	16	-
Total tax charge for the year	94	150

The group has tax losses of £nil (2016: £nil) available to carry forward to offset against future taxable profits.

Factors that may affect future tax charges

The main rate of corporation tax reduced from 1 April 2017 to 19% and to 18% from 1 April 2020 (a change which was substantively executed as of 21 July 2015 as part of the Finance Bill 2015).

10. Dividends

	2017 £000	2016 £000
Dividends paid on equity capital	-	985
	-	985

11. Parent company profit for the year

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Income statement in these financial statements. The profit after tax of the parent Company for the year was £941k (2016 - £3k).

Notes to the Financial Statements

For the Year Ended 31 December 2017

12. Tangible fixed assets

Group

	Freehold property £000	Long-term leasehold property £000	Plant and machinery £000	Total £000
Cost or valuation				
At 1 January 2017	3,520	280	10,883	14,683
Additions	-	-	218	218
Disposals	-	-	(79)	(79)
Exchange adjustments	-	-	12	12
At 31 December 2017	<u>3,520</u>	<u>280</u>	<u>11,034</u>	<u>14,834</u>
Depreciation				
At 1 January 2017	83	263	10,168	10,514
Charge for the year	84	1	237	322
Disposals	-	-	(79)	(79)
Exchange adjustments	-	-	12	12
At 31 December 2017	<u>167</u>	<u>264</u>	<u>10,338</u>	<u>10,769</u>
Net book value				
At 31 December 2017	<u>3,353</u>	<u>16</u>	<u>696</u>	<u>4,065</u>
At 31 December 2016	<u>3,437</u>	<u>17</u>	<u>715</u>	<u>4,169</u>

Notes to the Financial Statements

For the Year Ended 31 December 2017

12. Tangible fixed assets (continued)

Company

	Freehold property £000
Cost or valuation	
At 1 January 2017	14
At 31 December 2017	<u>14</u>
Net book value	
At 31 December 2017	<u>14</u>
At 31 December 2016	<u>14</u>

Included in the net book value of property is £1,235k (2016: £1,235k) of land which is not depreciated. Included in plant are plant, machinery, fittings rolls, tools and motor vehicles.

Freehold land and buildings is carried at fair value which has been estimated by the directors. The historic cost of freehold buildings was £1,617k (2016: £1,617k). The accumulated depreciation on historic cost would have been £1,263k (2016: £1,256k) if the properties had not been revalued.

Notes to the Financial Statements

For the Year Ended 31 December 2017

13. Fixed asset investments

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Country of incorporation	Holding	Principal activity
Ayrshire Metal Products (Daventry) Ltd.	Scotland	100%	Non trading
Ayrshire Metal Pension Trust Ltd	Scotland	100%	Dormant
Ayrframe Ltd	Scotland	100%	Dormant
Airframe Ltd	England	100%	Dormant
Ayrshire Steel Framing Ltd	England	100%	Cold roll forming
System-Bau-Elemente Vertriebs GmbH	Germany	100%	Cold roll forming
Ayrshire Metals Ltd	England	100%	Cold roll forming

All the above holdings are in ordinary share capital.

Company

	Investments in subsidiary companies £000
Cost or valuation	
At 1 January 2017	1,460
At 31 December 2017	<u>1,460</u>
Net book value	
At 31 December 2017	<u>1,460</u>
At 31 December 2016	<u>1,460</u>

Notes to the Financial Statements

For the Year Ended 31 December 2017

14. Stocks

	Group	Group	Company	Company
	2017	2016	2017	2016
	£000	£000	£000	£000
Raw materials and consumables	1,671	1,698	-	-
Work in progress	762	634	-	-
	<u>2,433</u>	<u>2,332</u>	<u>-</u>	<u>-</u>

The difference between purchase price or production cost of stocks and their replacement cost is not material.

Stock recognised in cost of sales during the year as an expense was £14,793k (2016 - £11,001k).

An impairment loss of £2k (2016 - £1.7k) was recognised in cost of sales against stock during the year due to slow-moving and obsolete stock.

Notes to the Financial Statements

For the Year Ended 31 December 2017

15. Debtors

	Group 2017 £000	Group 2016 £000	Company 2017 £000	Company 2016 £000
Trade debtors	2,699	2,253	-	-
Amounts owed by group undertakings	-	-	4,486	3,764
Other debtors	59	144	-	-
Prepayments and accrued income	217	253	-	-
Tax recoverable	-	4	-	-
	<u>2,975</u>	<u>2,654</u>	<u>4,486</u>	<u>3,764</u>

An impairment loss of £10k (2016: £48k) was recognised against trade debtors.

16. Cash and cash equivalents

	Group 2017 £000	Group 2016 £000	Company 2017 £000	Company 2016 £000
Cash at bank and in hand	2,971	3,493	1,151	990
	<u>2,971</u>	<u>3,493</u>	<u>1,151</u>	<u>990</u>

17. Creditors: Amounts falling due within one year

	Group 2017 £000	Group 2016 £000	Company 2017 £000	Company 2016 £000
Trade creditors	2,519	2,427	-	-
Corporation tax	173	-	-	1
Other creditors	24	-	-	-
Accruals and deferred income	1,724	2,427	11	68
	<u>4,440</u>	<u>4,854</u>	<u>11</u>	<u>69</u>

Notes to the Financial Statements

For the Year Ended 31 December 2017

18. Financial Instruments

	Group 2017 £000	Group 2016 £000	Company 2017 £000	Company 2016 £000
Financial assets				
Cash and cash equivalents	2,971	3,493	1,151	990
Financial assets measured at amortised cost	2,699	2,253	4,486	3,764
	<u>5,670</u>	<u>5,746</u>	<u>5,637</u>	<u>4,754</u>
	Group 2017 £000	Group 2016 £000	Company 2017 £000	Company 2016 £000
Financial liabilities				
Financial liabilities measured at amortised cost	(4,370)	(4,854)	(11)	(68)
	<u>(4,370)</u>	<u>(4,854)</u>	<u>(11)</u>	<u>(68)</u>

Financial assets measured at amortised cost comprise trade debtors, other debtors, amounts owed by group undertakings and accrued income.

Financial liabilities measured at amortised cost comprise trade creditors, other creditors and trade accruals.

19. Deferred taxation

Group

	2017 £000	2016 £000
At beginning of year	(315)	(314)
Credited/(charged) to profit or loss	4	(14)
Credited to other comprehensive income	13	13
At end of year	<u>(298)</u>	<u>(315)</u>
	Group 2017 £000	Group 2016 £000
Accelerated capital allowances	(6)	(10)
Other timing differences	24	24
Property revaluation	(316)	(329)
	<u>(298)</u>	<u>(315)</u>

Notes to the Financial Statements

For the Year Ended 31 December 2017

20. Share capital

	2017 £000	2016 £000
Shares classified as equity		
Authorised		
12,000,000 Ordinary shares of £0.25 each	<u>3,000</u>	<u>3,000</u>
Allotted, called up and fully paid		
9,850,638 Ordinary shares of £0.25 each	<u>2,463</u>	<u>2,463</u>

21. Reserves

Revaluation reserve

Represents the revaluation gains from revaluation of the freehold property.

Capital redemption reserve

Represents the nominal value of shares cancelled on the purchase of own shares in order to maintain the capital base of the Company.

Profit and loss account

Records the cumulative effect of all historic profits for the Company.

22. Guarantees and other financial commitments

Guarantees given in respect of performance bonds in the normal course of business amounted to £8k at 31 December 2017 (2016: £8k).

The Company is a party to an unlimited cross guarantee arrangement with certain subsidiary undertakings in respect of Group banking arrangements. At 31 December 2017 the Company had a contingent liability of £nil (2016: £nil) in respect of this guarantee.

23. Capital commitments

At 31 December 2017 the Company had capital commitments as follows:

	2017 £000	2016 £000
Contracted for but not provided in these financial statements	26	29
Authorised but not contracted for	<u>8</u>	<u>22</u>

Notes to the Financial Statements

For the Year Ended 31 December 2017

24. Pension commitments

Group Personal Pension Scheme

The Group operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund.

The pension cost charge represents contributions payable by the Group to the fund and amounted to £101k (2016 - £91k). Contributions totalling £Nil (2016 - £Nil) were payable to the fund at the reporting date.

Senior Officials' Pension Scheme

Historically the pension scheme assets were shown in the Balance Sheet. From 2015 onwards, pension scheme assets are not reflected within the Statements of Financial Position and entries are not reflected in the Consolidated Statement of Comprehensive Income in respect to related movements and charges. This is not in accordance with disclosure requirements under FRS 102. The decision has been taken in order that the Financial Statements of the Group show a true and fair view.

All other disclosures required under FRS 102 are set out below in order to provide sufficient information had a decision been taken to recognise matters relating to the Senior Officials' Pension Scheme in the primary statements of the group.

Ayrshire Metal Products plc sponsors the Ayrshire Metal Products Senior Officials' Pension Scheme which is a funded defined benefit arrangement. The scheme is closed to new entrants.

Over the financial year the employer has continued to enjoy a contribution holiday except for the payment of premiums to insure death in service benefits and the ongoing administrative and management expenses of running the scheme.

	2017	2016
	£'000	£'000
Fair value of plan assets	18,105	15,053
Present value of scheme liabilities	6,263	6,169
Surplus in scheme	11,842	8,884
Unrecoverable surplus	(11,578)	(8,364)
Asset	264	520
Deferred tax	(45)	(88)
Net asset	219	432

Notes to the Financial Statements

For the Year Ended 31 December 2017

24. Pension commitments (continued)

Reconciliation of fair value of plan liabilities were as follow:

	2017 £000	2016 £000
Opening defined benefit obligation	6,169	4,949
Current service cost	188	154
Interest cost	176	198
Actuarial (gains)/losses	(173)	1,004
Benefits paid	(97)	(136)
Closing defined benefit obligation	6,263	6,169
Fair value of scheme assets at start of period	15,053	12,246
Actual return on scheme assets less interest income	2,761	2,496
Interest income	424	486
Benefits paid	(97)	(136)
Administration expenses	(36)	(39)
Fair value of scheme assets at end of period	18,105	15,053

No amounts are recognised in the consolidated income statement.

The major categories of scheme assets are as follows:

	2017 £000	2016 £000
Equities	15,341	12,398
Bonds	2,677	2,549
Cash	87	106
	18,105	15,053

None of the fair values of the assets shown above include any of the Group's own financial instruments or any property occupied by, or other assets used by, the Group.

Notes to the Financial Statements

For the Year Ended 31 December 2017

24. Pension commitments (continued)

Principal actuarial assumptions at the Statement of financial position date (expressed as weighted averages):

	2017	2016
	%	%
Inflation	3.5	3.5
Discount rate	2.6	2.8
Future salary increases	3.8	3.8
Allowance for pension in payment increases of RPI of 5% p.a if less	3.5	3.5
Allowance for revaluation of deferred pensions of RPI or 5% p.a. if less	2.5	2.5
Allowance for commutation of pension cash at retirement	-	-
Mortality rates		
- for a male aged 60 now	28	28
- for a male aged 40 now	30	30
- for a female aged 60 now	30	30
- for a female aged 40 now	32	32

25. Commitments under operating leases

At 31 December 2017 the Group and the Company had future minimum lease payments under non-cancellable operating leases as follows:

	Group 2017 £000	Group 2016 £000
Not later than 1 year	172	173
Later than 1 year and not later than 5 years	255	77
	<u>427</u>	<u>250</u>

26. Controlling party

Knapdale (Nominees) Ltd, a company controlled by M.L. Wilson, controls 5,114,000 of the Company's issued share capital and is the ultimate controlling party.