

**TECHNICUT LIMITED**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 APRIL 2018**



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**TECHNICUT LIMITED**

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**COMPANY INFORMATION**

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<b>Directors</b>	R D J Fothergill D J Fothergill A P Allen P A Graham C J H Hill M Kirby K Ridgway W S B Spearing P J Webb
<b>Company secretary</b>	C J H Hill
<b>Registered number</b>	01364723
<b>Registered office</b>	Unit 22 Hayhill Industrial Estate Sileby Road Barrow-Upon-Soar Loughborough LE12 8LD
<b>Independent auditors</b>	MHA MacIntyre Hudson Chartered Accountants & Statutory Auditors 11 Merus Court Meridian Business Park Leicester LE19 1RJ

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**TECHNICUT LIMITED**

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## **TECHNICUT LIMITED**

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### **STRATEGIC REPORT FOR THE YEAR ENDED 30 APRIL 2018**

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#### **Introduction**

The principal activity of the Company during the year continued to be that of a precision engineering business manufacturing cutting tools for specialist applications.

#### **Business review**

The Company continues to develop its position as a leading global supplier of optimised carbide and diamond rotary tooling for aerospace applications, supported by an industry leading complement of CNC machinery.

The Company aims to continually develop optimised tooling technologies and provide world-class vertically integrated supply solutions to support industry needs.

The Company faces ongoing market pressures to maintain its position, including the need for significant capital investment programmes to support customer growth.

The Company has delivered a satisfactory result and is expected to meet its budget for the current year.

#### **Principal risks and uncertainties**

As strategic suppliers to the Company's customers, the Company's objective is to continually enhance customer competitiveness through the supply of market leading products and solutions.

The principle risks facing the Company are predominantly through the management of raw material costs and maintenance of the supply chain therein. To mitigate this risk, the Company continues to undertake perpetual cost review processes to make savings where possible and is reviewing its position in relation to the uncertainty surrounding the UK exiting the EU.

Associated liquidity risk, caused by the requirement for continual capital investment in world leading practices are monitored closely by the directors. The Company is financed with appropriate long-term and short-term finance to match the needs of the business.

#### **Financial key performance indicators**

Key performance indicators used by the Company are as follows:

- Turnover;
- Gross profit margin; and
- Profit on ordinary activities before taxation.

Details of the key performance indicators are shown in the Statement of Comprehensive Income.

#### **Other key performance indicators**

The Company does not use any other key performance indicators.

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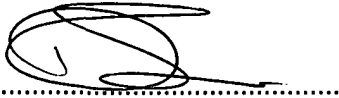
TECHNICUT LIMITED

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STRATEGIC REPORT (CONTINUED)  
FOR THE YEAR ENDED 30 APRIL 2018

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



D J Fothergill  
Director

Date: 28<sup>th</sup> January 2019

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## **TECHNICUT LIMITED**

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### **DIRECTORS' REPORT FOR THE YEAR ENDED 30 APRIL 2018**

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The directors present their report and the financial statements for the year ended 30 April 2018.

#### **Directors' responsibilities statement**

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

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

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

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and 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 hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

#### **Results and dividends**

The profit for the year, after taxation, amounted to £2,408,174 (2017 - £2,158,426).

During the year no dividends were recommended by the directors.

#### **Directors**

The directors who served during the year were:

R D J Fothergill  
D J Fothergill  
A P Allen  
P A Graham  
C J H Hill  
M Kirby  
K Ridgway  
W S B Spearing  
P J Webb

#### **Future developments**

Going forward the directors aim to continue to grow the business whilst keeping a tight control over costs.

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**TECHNICUT LIMITED**

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**DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 30 APRIL 2018**

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**Research and development activities**

The Company remains committed to Research and Development by utilising a combination of both its internal R&D facilities and external centres for collaborative technology development. New tooling concepts are being developed across both milling and drilling platforms to solve advanced production problems.

**Disclosure of information to auditors**

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

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

**Post balance sheet events**

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

**Auditors**

The auditors, MHA MacIntyre Hudson, 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.



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**D J Fothergill**  
Director

Date: 28<sup>th</sup> January 2019

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**TECHNICUT LIMITED**

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**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF TECHNICUT LIMITED**

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**Opinion**

We have audited the financial statements of Technicut Limited (the 'Company') for the year ended 30 April 2018, which comprise the Statement of Comprehensive Income, the Balance Sheet, the 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 the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 April 2018 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.

**Basis for opinion**

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 Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council'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.

**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 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 Directors' Report, other than the financial statements and our Auditors' Report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

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**TECHNICUT LIMITED**

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

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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.

**Opinion 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 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 Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

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

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

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, 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.

**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 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 Company or to cease operations, or have no realistic alternative but to do so.

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**TECHNICUT LIMITED**

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

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**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 Auditors' 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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our Auditors' Report.

**Use of our report**

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.



Alan Herbert FCA (Senior Statutory Auditor)

for and on behalf of  
**MHA MacIntyre Hudson**

Chartered Accountants  
Statutory Auditors

11 Merus Court  
Meridian Business Park  
Leicester  
LE19 1RJ

Date: 22 Jan 2019

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**TECHNICUT LIMITED**

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**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 30 APRIL 2018**

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	Note	2018 £	2017 £
Turnover	4	23,771,837	22,247,332
Cost of sales		(15,597,657)	(14,436,350)
<b>Gross profit</b>		<b>8,174,180</b>	<b>7,810,982</b>
Distribution costs		(1,017,916)	(978,520)
Administrative expenses		(4,399,592)	(4,438,027)
Other operating income	5	96,622	193,366
<b>Operating profit</b>	6	<b>2,853,294</b>	<b>2,587,801</b>
Interest receivable and similar income	10	10	17
Interest payable and expenses	11	(284,984)	(225,972)
<b>Profit before tax</b>		<b>2,568,320</b>	<b>2,361,846</b>
Tax on profit	12	(160,146)	(203,420)
<b>Profit for the financial year</b>		<b>2,408,174</b>	<b>2,158,426</b>

There were no recognised gains and losses for 2018 or 2017 other than those included in the Statement of Comprehensive Income.

There was no other comprehensive income for 2018 (2017 - £Nil).

The notes on pages 12 to 30 form part of these financial statements.

**TECHNICUT LIMITED**  
**REGISTERED NUMBER: 01364723**

**BALANCE SHEET**  
**AS AT 30 APRIL 2018**

	Note	2018 £	2017 £
<b>Fixed assets</b>			
Tangible assets	13	11,266,429	7,075,956
		<u>11,266,429</u>	<u>7,075,956</u>
<b>Current assets</b>			
Stocks	14	2,692,336	2,530,601
Debtors: amounts falling due within one year	15	6,483,565	6,038,272
Cash at bank and in hand	16	2,371,134	1,200,769
		<u>11,547,035</u>	<u>9,769,642</u>
Creditors: amounts falling due within one year	17	(7,768,380)	(5,727,038)
<b>Net current assets</b>		<u>3,778,655</u>	<u>4,042,604</u>
<b>Total assets less current liabilities</b>		<u>15,045,084</u>	<u>11,118,560</u>
Creditors: amounts falling due after more than one year	18	(4,406,609)	(3,017,334)
<b>Provisions for liabilities</b>			
Deferred tax	20	(409,651)	(280,576)
		<u>(409,651)</u>	<u>(280,576)</u>
<b>Net assets</b>		<u>10,228,824</u>	<u>7,820,650</u>
<b>Capital and reserves</b>			
Called up share capital	21	1,000	1,000
Profit and loss account	22	10,227,824	7,819,650
		<u>10,228,824</u>	<u>7,820,650</u>

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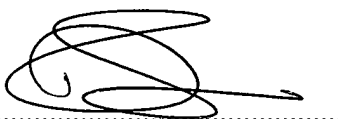
TECHNICUT LIMITED  
REGISTERED NUMBER: 01364723

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BALANCE SHEET (CONTINUED)  
AS AT 30 APRIL 2018

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



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**D J Fothergill**  
Director

Date: 28<sup>th</sup> January 2019

The notes on pages 12 to 30 form part of these financial statements.

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**TECHNICUT LIMITED**

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**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 APRIL 2018**

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	<b>Called up share capital</b>	<b>Profit and loss account</b>	<b>Total equity</b>
	<b>£</b>	<b>£</b>	<b>£</b>
At 1 May 2017	1,000	7,819,650	7,820,650
<b>Comprehensive income for the year</b>			
Profit for the year	-	2,408,174	2,408,174
<b>Total comprehensive income for the year</b>	-	2,408,174	2,408,174
<b>Total transactions with owners</b>	-	-	-
<b>At 30 April 2018</b>	<b>1,000</b>	<b>10,227,824</b>	<b>10,228,824</b>

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**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 APRIL 2017**

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	<b>Called up share capital</b>	<b>Profit and loss account</b>	<b>Total equity</b>
	<b>£</b>	<b>£</b>	<b>£</b>
At 1 May 2016	1,000	5,661,224	5,662,224
<b>Comprehensive income for the year</b>			
Profit for the year	-	2,158,426	2,158,426
<b>Total comprehensive income for the year</b>	-	2,158,426	2,158,426
<b>Total transactions with owners</b>	-	-	-
<b>At 30 April 2017</b>	<b>1,000</b>	<b>7,819,650</b>	<b>7,820,650</b>

The notes on pages 12 to 30 form part of these financial statements.

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## TECHNICUT LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2018

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#### 1. General information

Technicut Limited is a private company, limited by shares, domiciled in England and Wales, registration number 01364723. The registered office is Unit 22, Hayhill Industrial Estate, Sileby Road, Barrow-Upon-Soar, Loughborough, Leicestershire, LE12 8LD.

The principal activity of the Company during the year continued to be that of a precision engineering business manufacturing cutting tools for specialist applications.

#### 2. Accounting policies

##### 2.1 Basis of preparation of financial statements

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

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

The following principal accounting policies have been applied:

##### 2.2 Financial reporting standard 102 - reduced disclosure exemptions

The Company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 4 Statement of Financial Position paragraph 4.12(a)(iv);
- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.41(b), 11.41(c), 11.41(e), 11.41(f), 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of KCT Holdings Limited as at 30 April 2018 and these financial statements may be obtained from Unit 22 Hayhill Industrial Estate, Sileby Road, Barrow-Upon-Soar, Loughborough, Leicestershire, LE12 8LD.

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## TECHNICUT LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2018

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## 2. Accounting policies (continued)

### 2.3 Foreign currency translation

#### Functional and presentation currency

The Company's functional and presentational currency is GBP.

#### Transactions and balances

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

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

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

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

### 2.4 Revenue

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

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 APRIL 2018

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2. Accounting policies (continued)

2.5 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.

The Company adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the Company. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to the Statement of Comprehensive Income during the period in which they are incurred.

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 or reducing balance basis.

Depreciation is provided on the following basis:

Short-term leasehold property	- Straight line over the life of the lease
Plant and machinery	- 15% to 20% Reducing balance
Motor vehicles	- 25% Straight line
Fixtures and fittings	- 20% Straight line

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Comprehensive Income.

2.6 Stocks

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

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in the Statement of Comprehensive Income.

2.7 Debtors

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

2.8 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice. 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.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 APRIL 2018

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2. Accounting policies (continued)

2.9 Financial instruments

The Company only enters into basic financial instrument 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 the 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 Statement of Comprehensive Income.

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

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

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

2.10 Creditors

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

2.11 Government grants

Grants are accounted for under the accruals model as permitted by FRS 102. Grants relating to expenditure on tangible fixed assets are credited to the Statement of Comprehensive Income at the same rate as the depreciation on the assets to which the grant relates. The deferred element of grants is included in creditors as deferred income.

Grants of a revenue nature are recognised in the Statement of Comprehensive Income in the same period as the related expenditure.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 APRIL 2018

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2. Accounting policies (continued)

2.12 Finance costs

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

2.13 Operating leases: the Company as lessee

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

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

2.14 Leased assets: the Company as lessee

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets. Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives. Assets acquired by hire purchase are depreciated over their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the company. 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 Statement of Comprehensive Income so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

2.15 Pensions

**Defined contribution pension plan**

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

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

2.16 Interest income

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

2.17 Borrowing costs

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

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 APRIL 2018

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2. Accounting policies (continued)

2.18 Provisions for liabilities

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

Provisions are charged as an expense to the Statement of Comprehensive Income in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet.

2.19 Current and deferred taxation

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

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

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

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

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

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 APRIL 2018

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2. Accounting policies (continued)

2.20 Research and development

In the research 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 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. The capitalised development costs are subsequently amortised on a straight line basis over their useful economic lives, which range from 3 to 6 years.

If it is not possible to distinguish between the research phase and the development phase of an internal project, the expenditure is treated as if it were all incurred in the research phase only.

2.21 Employee benefits

The Company provides a range of benefits to employees, including annual bonus arrangements, paid holiday arrangements and defined contribution pension plans.

(i) Short term benefits

Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

(ii) Defined contribution pension plans

The Company operates a number of defined contribution plans for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations. The contributions are recognised as an expense when they are due. Amounts not paid are shown in accruals in the Balance Sheet. The assets of the plan are held separately from the Company in independently administered funds.

(iii) Annual bonus plan

The Company operates a number of annual bonus plans for employees. An expense is recognised in the Statement of Comprehensive Income when the Company has a legal or constructive obligation to make payments under the plans as a result of past events and a reliable estimate of the obligation can be made.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 APRIL 2018**

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

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

**(i) Useful economic lives of tangible assets**

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are reassessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets.

**(ii) Stocks provisioning**

The Company continues to manufacture bespoke cutting tools and is exposed to changes in the market prices of raw materials it uses. As a result it is necessary to consider the recoverability of the cost of stocks and the associated provisioning required. When calculating the stocks provision, management considers the nature and condition of the stocks, as well as applying assumptions around anticipated saleability of finished goods and future usage of raw materials.

**(iii) Impairment of debtors**

The Company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the current credit rating of the debtor, the ageing profile of debtors and historical experience.

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**TECHNICUT LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 APRIL 2018**

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**4. Turnover**

An analysis of turnover by class of business is as follows:

	2018 £	2017 £
Precision engineering and manufacture of cutting tools	23,771,837	22,247,332
	<u>23,771,837</u>	<u>22,247,332</u>

Analysis of turnover by country of destination:

	2018 £	2017 £
United Kingdom	18,570,031	17,715,525
Rest of Europe	908,710	1,177,123
Rest of the world	4,293,096	3,354,684
	<u>23,771,837</u>	<u>22,247,332</u>

**5. Other operating income**

	2018 £	2017 £
Government grants receivable	96,622	193,366
	<u>96,622</u>	<u>193,366</u>

**6. Operating profit**

The operating profit is stated after charging/(crediting):

	2018 £	2017 £
Research & development charged as an expense	1,258,633	1,061,411
Depreciation of tangible fixed assets	1,676,041	1,246,515
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	8,000	8,000
Exchange differences	56,116	(48,106)
Other operating lease rentals	240,086	298,309
Defined contribution pension cost	344,738	305,050
Profit on disposal of tangible fixed assets	(14,240)	(80,558)
Government grants	(96,622)	(193,366)
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**TECHNICUT LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 APRIL 2018**

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**7. Auditors' remuneration**

	2018 £	2017 £
Fees payable to the Company's auditor and its associates for the audit of the Company's annual accounts	<u>8,000</u>	<u>8,000</u>

The Company has taken advantage of the exemption not to disclose amounts paid for non audit services as these are disclosed in the group accounts of the parent Company.

**8. Employees**

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

	2018 £	2017 £
Wages and salaries	4,937,328	4,410,500
Social security costs	494,207	449,689
Cost of defined contribution scheme	344,738	305,050
	<u>5,776,273</u>	<u>5,165,239</u>

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

	2018 No.	2017 No.
Management	11	10
Administration	21	19
Production	113	104
Sales	9	9
	<u>154</u>	<u>142</u>

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**TECHNICUT LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 APRIL 2018**

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**9. Directors' remuneration**

	2018 £	2017 £
Directors' emoluments	528,132	495,148
Company contributions to defined contribution pension schemes	97,820	95,569
	<u>625,952</u>	<u>590,717</u>

During the year retirement benefits were accruing to 4 directors (2017 - 4) in respect of defined contribution pension schemes.

**10. Interest receivable**

	2018 £	2017 £
Other interest receivable	10	17
	<u>10</u>	<u>17</u>

**11. Interest payable and similar expenses**

	2018 £	2017 £
Other loan interest payable	227,285	192,547
Finance leases and hire purchase contracts	57,699	33,425
	<u>284,984</u>	<u>225,972</u>

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**TECHNICUT LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 APRIL 2018**

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**12. Taxation**

	2018 £	2017 £
<b>Corporation tax</b>		
Current tax on profits for the year	31,071	170,165
<b>Total current tax</b>	<u>31,071</u>	<u>170,165</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	129,075	33,255
<b>Total deferred tax</b>	<u>129,075</u>	<u>33,255</u>
<b>Taxation on profit on ordinary activities</b>	<u>160,146</u>	<u>203,420</u>

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**TECHNICUT LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 APRIL 2018**

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**12. Taxation (continued)****Factors affecting tax charge for the year**

The tax assessed for the year is lower than (2017 - lower than) the standard rate of corporation tax in the UK of 19% (2017 - 19%). The differences are explained below:

	2018 £	2017 £
Profit on ordinary activities before tax	<u>2,568,320</u>	<u>2,361,846</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2017 - 19%)	487,981	448,751
<b>Effects of:</b>		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	8,894	18,239
Capital allowances for year in excess of depreciation	(152,216)	1,034
Deferred tax adjustment	129,075	33,255
Qualifying profit on disposal	(2,706)	(15,306)
Due to different rates	-	7,842
Group relief	-	(10,039)
Research and development	(310,882)	(280,356)
<b>Total tax charge for the year</b>	<u>160,146</u>	<u>203,420</u>

**Factors that may affect future tax charges**

From 1 April 2020 the UK corporation tax rate will reduce from 19% to 17%.

TECHNICUT LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 APRIL 2018

13. Tangible fixed assets

	Short-term leasehold property £	Plant and machinery £	Motor vehicles £	Fixtures and fittings £	Total £
<b>Cost or valuation</b>					
At 1 May 2017	564,063	17,379,868	36,046	842,824	18,822,801
Additions	184,230	5,563,383	-	129,661	5,877,274
Disposals	-	(549,960)	(500)	-	(550,460)
At 30 April 2018	748,293	22,393,291	35,546	972,485	24,149,615
<b>Depreciation</b>					
At 1 May 2017	114,419	10,983,407	11,557	637,462	11,746,845
Charge for the year on owned assets	41,413	1,151,300	4,284	52,293	1,249,290
Charge for the year on financed assets	-	414,727	1,952	10,072	426,751
Disposals	-	(539,700)	-	-	(539,700)
At 30 April 2018	155,832	12,009,734	17,793	699,827	12,883,186
<b>Net book value</b>					
At 30 April 2018	592,461	10,383,557	17,753	272,658	11,266,429
At 30 April 2017	449,644	6,396,461	24,489	205,362	7,075,956

The net book value of assets held under finance leases or hire purchase contracts, included above, are as follows:

	2018 £	2017 £
Plant and machinery	2,630,419	1,580,136
Motor vehicles	5,856	7,808
Fixtures and fittings	20,177	30,250
	<u>2,656,452</u>	<u>1,618,194</u>

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**TECHNICUT LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 APRIL 2018**

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**14. Stocks**

	2018 £	2017 £
Raw materials and consumables	449,586	362,351
Work in progress	1,091,476	1,299,293
Finished goods and goods for resale	1,151,274	868,957
	<u>2,692,336</u>	<u>2,530,601</u>

Stock recognised in cost of sales during the year as an expense was £8,508,953 (2017 - £8,335,399) .

**15. Debtors**

	2018 £	2017 £
Trade debtors	5,924,563	5,863,096
Amounts owed by group undertakings	6,301	19,895
Other debtors	402,529	26,702
Prepayments and accrued income	150,172	128,579
	<u>6,483,565</u>	<u>6,038,272</u>

**16. Cash and cash equivalents**

	2018 £	2017 £
Cash at bank and in hand	2,371,134	1,200,769
	<u>2,371,134</u>	<u>1,200,769</u>

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**TECHNICUT LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 APRIL 2018**

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**17. Creditors: Amounts falling due within one year**

	2018 £	2017 £
Pension fund loans	1,007,038	791,531
Trade creditors	4,490,867	2,002,029
Amounts owed to group undertakings	674,895	1,219,218
Corporation tax	31,071	27,094
Other taxation and social security	523,509	666,870
Obligations under hire purchase contracts	488,760	486,955
Other creditors	3,103	3,486
Accruals and deferred income	549,137	529,855
	<u>7,768,380</u>	<u>5,727,038</u>

The following liabilities were secured:

The Company is party to a group overdraft facility which is secured by a debenture dated 30 May 1991 over all of the Company's assets.

Pension fund loans amounting to £1,007,038 (2017 - £791,531) are loans from KC Tooling Limited Retirement Benefit Scheme which are secured upon plant and machinery.

Obligations under hire purchase contracts amounting to £488,760 (2017 - £486,955) are secured against the assets to which they relate.

**18. Creditors: Amounts falling due after more than one year**

	2018 £	2017 £
Net obligations under hire purchase contracts	1,564,966	851,869
Pension fund loan	2,526,205	1,771,168
Government grants	315,438	394,297
	<u>4,406,609</u>	<u>3,017,334</u>

The following liabilities were secured:

Pension fund loans amounting to £2,526,205 (2017 - £1,771,168) are loans from KC Tooling Limited Retirement Benefit Scheme which are secured upon plant and machinery.

Obligations under hire purchase contracts amounting to £1,564,966 (2017 - £851,869) are secured against the assets to which they relate.

During the year, £96,622 (2017 - £193,366) of the Government grants were released to the Statement of Comprehensive Income.

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**TECHNICUT LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 APRIL 2018**

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**19. Hire purchase and finance leases**

Minimum lease payments under hire purchase fall due as follows:

	2018 £	2017 £
Within one year	488,760	486,955
Between 1-2 years	465,679	248,929
Between 2-5 years	1,099,287	602,940
	<u>2,053,726</u>	<u>1,338,824</u>

**20. Deferred taxation**

	2018 £	2017 £
At beginning of year	280,576	247,321
Charged to profit or loss	129,075	33,255
<b>At end of year</b>	<u><b>409,651</b></u>	<u><b>280,576</b></u>

The provision for deferred taxation is made up as follows:

	2018 £	2017 £
Accelerated capital allowances	409,651	280,576
	<u>409,651</u>	<u>280,576</u>

**21. Share capital**

	2018 £	2017 £
<b>Allotted, called up and fully paid</b>		
1,000 Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>

Each ordinary share has equal voting and distribution rights, including repayment of capital in the event of winding up.

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**TECHNICUT LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 APRIL 2018**

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**22. Reserves****Profit and loss account**

Includes all current and prior year retained profits and losses. All amounts are distributable.

**23. Contingent liabilities**

The Company has entered into group banking arrangements whereby each company has given unlimited guarantees for the obligations of other group companies to the group's bankers. The Company's contingent liability under the terms of this arrangement at the balance sheet date was £2,120,479 (2017 - £2,176,167).

**24. Capital commitments**

At 30 April 2018 the Company had capital commitments as follows:

	2018 £	2017 £
Contracted for but not provided in these financial statements	1,793,531	1,602,740
	<u>1,793,531</u>	<u>1,602,740</u>

**25. Pension commitments**

The Company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension charge amounted to £344,738 (2017 - £305,050).

**26. Commitments under operating leases**

At 30 April 2018 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2018 £	2017 £
Not later than 1 year	144,574	183,042
Later than 1 year and not later than 5 years	307,850	399,091
Later than 5 years	-	53,333
	<u>452,424</u>	<u>635,466</u>

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**TECHNICUT LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 APRIL 2018**

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**27. Related party transactions**

The wholly owned subsidiaries of the other members of the group are exempt from the requirements of Financial Reporting Standard 102, section 33.1A to disclose transactions.

	2018 £	2017 £
Amounts owed to other related parties	3,533,243	2,570,939
Rent paid to other related parties	75,000	75,000
	<u>          </u>	<u>          </u>

No other transactions with related parties were undertaken such as are required to be disclosed under Financial Reporting Standard 102, section 33.

All transactions are considered to be at arms length.

**28. Controlling party**

The Company is controlled by RDJ Fothergill who holds a controlling interest in KCT Holdings Limited, the immediate and ultimate parent undertaking.

The consolidated financial statements of KCT Holdings Limited can be obtained from Unit 22 Hayhill Industrial Estate, Sileby Road, Barrow-Upon-Soar, Loughborough, Leicestershire, LE12 8LD.