

REGISTERED NUMBER: 03954360 (England and Wales)

**Strategic Report, Report of the Directors and
Financial Statements
for the Year Ended 31st December 2018
for
Mec Com Limited**

**Contents of the Financial Statements
for the Year Ended 31st December 2018**

	Page
Company Information	1
Strategic Report	2
Report of the Directors	5
Report of the Independent Auditors	7
Statement of Comprehensive Income	10
Statement of Financial Position	11
Statement of Changes in Equity	12
Statement of Cash Flows	13
Notes to the Statement of Cash Flows	14
Notes to the Financial Statements	15

Mec Com Limited
Company Information
for the Year Ended 31st December 2018

DIRECTORS: Mr R J Bunce
Mr N J Lathe

SECRETARY: Mr N J Lathe

REGISTERED OFFICE: Units 15A-C
Airfield Industrial Estate
Hixon
Staffordshire
ST18 0PF

REGISTERED NUMBER: 03954360 (England and Wales)

AUDITORS: Rice & Co Limited
Chartered Accountants
Statutory Auditors
14a Market Place
Uttoxeter
Staffordshire
ST14 8HP

**Strategic Report
for the Year Ended 31st December 2018**

The directors present their strategic report for the year ended 31st December 2018.

PRINCIPAL ACTIVITY

The principal activity of the company in the year under review was as a key provider of a comprehensive range of electromechanical components as well as an assembly and test service for customers requiring TMS (Total Manufacturing Solutions).

Key disciplines include sheet metal fabrication and assembly plus electromechanical assembly and test.

REVIEW OF BUSINESS

The company managed to again post a positive trading performance achieved as a result of its second highest sales turnover figures (£16,177,823), albeit reduced by 10.6% on the record high recorded in 2017. P.B.I.T. (Profit before Interest and Taxation) reduced from 8.5% the previous year to 4.6% for 2018.

Following the strategy of recent years, during 2018 the company continued with the development of its global supply chain and in particular the on-going development and expansion of work generated from its associated entity - European Fabrications S.R.L. based in Cluj-Napoca, Romania. This facility continued to provide Mec Com with the advantages of a low cost manufacturing base in Eastern Europe.

Review of 2018 Results:

Turnover in the year was £16,177,823, a decrease of 10.6% from the £18,096,972 achieved in the previous year.

Raw Materials and Consumables costs decreased by £689,179 from 2017 to £10,096,131 and represented 62.4% of Sales, an increase from the previous year of 2.8%.

Staff Costs (Payroll) decreased by 19.1% to £3,444,970 and represented 21.3% of Sales, a decrease of 2.2% from 2017.

The average number of employees decreased by 32 to stand at 137 employees during the year.

Profit before Taxation on continuing trade activities decreased by £804,489 to £700,351 from the previous year (2017 - £1,504,840).

KEY PERFORMANCE INDICATORS

The board of directors recognise Key Performance Indicators as an integral part of monitoring the progress of the business.

Performance indicators are identified in the Annual Business Plan and appropriate targets set.

It is the responsibility of the management team to regularly monitor and review these figures and report the results and any corrective actions to the board.

The key performance indicators used to monitor the financial performance of the company include, profit before interest and taxation (P.B.I.T.) as a % of sales which closed the year on 4.6% down from 8.5% from the previous year.

Sales per employee increased from £107,000 to £118,000, whilst Net Profit before taxation per employee decreased from £8,900 to stand at £5,100 during 2018.

**Strategic Report
for the Year Ended 31st December 2018**

Other Balance Sheet indicators showed the following movements :

Inventory days increased by 26 days from 89 days at the end of 2017 to close on 115 days, Trade receivables/debtor days increased by 21 days to close on 67 days during the year with Trade payables/average creditor days also decreasing from 58 days average to close on 56 days average by the end of the year.

PRINCIPAL RISKS AND UNCERTAINTIES

Commercial Relationships

The Company benefits from close commercial relationships with a number of key customers and suppliers. The loss of any of these key customers or suppliers, or a significant worsening in commercial terms could have a material impact on results.

The Company devotes significant resources to supporting these relationships to ensure they continue to operate satisfactorily. Wherever practical, the Company endeavours to maintain more than one source of a particular supply.

Competitors

The Company faces fierce competition from low cost countries namely China, India and from those located in Eastern Europe.

The Company continually works to streamline its cost base to ensure it remains competitive. Part of this ongoing initiative is the expansion of a global supply chain involving the procurement of high volume parts from China as well as medium to high volume products from facilities in Romania.

Maintaining High Quality

As the Company primarily supplies products into the protection and control systems of major electrical distribution networks maintaining a high quality standards are essential. Failure to comply with the necessary standards could significantly damage the Company's reputation and performance.

The Company has established policies and operating procedures which are periodically subject to both internal and external audit. The Company is accredited under ISO 9001 and ISO 14001 Environmental standard.

Health and Safety

A significant number of the Company's employees work in a manufacturing environment in close proximity to machinery. In addition to the possible injury to individuals, serious accidents could result in prosecution and fines and damage the reputation and performance of the Company.

The Company works to identify and minimise all Health and Safety risks in order to provide a safe and healthy workplace for employees and visitors. Risk assessments and workplace training is undertaken in all areas of the business.

Energy and Raw Materials

The Company's products contain a number of raw materials and its operations require significant levels of energy; notably gas and electricity. Any increases or volatility in prices or any prolonged interruption in supply could have a material impact on the Company's results.

The Company regularly undertakes purchasing reviews and uses forward buying or other contractual means where appropriate to manage the risks.

**Strategic Report
for the Year Ended 31st December 2018**

Other Risks

Other external risks include global, political and economic conditions, foreign exchange, interest rates, credit risk and business continuity.

The company seeks to mitigate exposure to all forms of risk, where practicable, and to transfer risk to insurers, where cost effective.

FINANCIAL INSTRUMENTS

The directors are constantly reviewing the objectives of the business operations to identify areas where it is able to reduce financial risk without hindrance to on site operations.

Credit

To counteract the risk of bad debts the business has increased the use of credit checking facilities to assess the risk to the company of contracting with each customer.

The Company also insures its debtor book against any potential bad debts.

Liquidity

The business has a very strong relationship with its banking team. The company has the facilities to meet its needs on an ongoing basis, namely using an invoice discounting facility to factor its debtor book.

Hedging Forecast Transactions

A proportion of the Company's sales are denominated in currencies other than Sterling (Euros) which are only partially matched by expenses denominated in those currencies. A significant weakening of these currencies against sterling could materially impact the Company's performance.

The Company sets internal exchange rates for determining pricing and enters into forward contracts based on forecast transactions to achieve or better these rates.

Cash flow

Cash flow forecasts are prepared weekly and any facilities reviewed to cover any foreseeable funding requirements with an allowance for unforeseen events.

FUTURE DEVELOPMENTS

The company is expecting to see continued demand for new products over the next 12 months, not only from customers in its traditional core market of Power & Distribution, but from other markets including Food Processing, Lighting, Commercial Dishwashing Machines and other General Fabrication work.

ON BEHALF OF THE BOARD:

Mr N J Lathe - Director

19th August 2019

**Report of the Directors
for the Year Ended 31st December 2018**

The directors present their report with the financial statements of the company for the year ended 31st December 2018.

DIVIDENDS

The total distribution of dividends for the year ended 31st December 2018 will be £ 447,705 .

DIRECTORS

The directors shown below have held office during the whole of the period from 1st January 2018 to the date of this report.

Mr R J Bunce
Mr N J Lathe

DISCLOSURE IN THE STRATEGIC REPORT

Information regarding financial instruments and future developments is contained within the strategic report included in these financial statements.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), 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 and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Mec Com Limited (Registered number: 03954360)

**Report of the Directors
for the Year Ended 31st December 2018**

AUDITORS

The auditors, Rice & Co Limited, will be proposed for re-appointment at the forthcoming Annual General Meeting.

ON BEHALF OF THE BOARD:

Mr N J Lathe - Director

19th August 2019

Report of the Independent Auditors to the Members of Mec Com Limited

Opinion

We have audited the financial statements of Mec Com Limited (the 'company') for the year ended 31st December 2018 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and Notes to the Statement of Cash Flows, Notes to the Financial Statements, 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 31st December 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 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.

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 in the Strategic Report and the Report of the Directors, but does not include the financial statements and our Report of the Auditors 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 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.

Report of the Independent Auditors to the Members of Mec Com Limited

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 Strategic Report and the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Report of the Directors 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 Report of the Directors.

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

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

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities set out on page five, 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 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.

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 a Report of the Auditors 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. This description forms part of our Report of the Auditors.

**Report of the Independent Auditors to the Members of
Mec Com Limited**

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 a Report of the Auditors 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.

Matthew Gibbs FCA (Senior Statutory Auditor)
for and on behalf of Rice & Co Limited
Chartered Accountants
Statutory Auditors
14a Market Place
Uttoxeter
Staffordshire
ST14 8HP

19th August 2019

Statement of Comprehensive Income
for the Year Ended 31st December 2018

	Notes	2018		2017	
		£	£	£	£
TURNOVER	4		16,177,823		18,096,972
Cost of sales			<u>12,493,615</u>		<u>13,720,144</u>
GROSS PROFIT			3,684,208		4,376,828
Distribution costs		356,632		396,451	
Administrative expenses		<u>2,680,942</u>		<u>2,763,712</u>	
			<u>3,037,574</u>		<u>3,160,163</u>
			646,634		1,216,665
Other operating income			<u>102,929</u>		<u>316,158</u>
OPERATING PROFIT	6		749,563		1,532,823
Interest payable and similar expenses	7		<u>49,212</u>		<u>27,983</u>
PROFIT BEFORE TAXATION			700,351		1,504,840
Tax on profit	8		<u>5,206</u>		<u>243,970</u>
PROFIT FOR THE FINANCIAL YEAR			695,145		1,260,870
OTHER COMPREHENSIVE INCOME			<u>-</u>		<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR			<u>695,145</u>		<u>1,260,870</u>

Mec Com Limited (Registered number: 03954360)

**Statement of Financial Position
31st December 2018**

	Notes	2018 £	£	2017 £	£
FIXED ASSETS					
Tangible assets	10		1,410,523		1,604,222
CURRENT ASSETS					
Stocks	11	3,168,976		2,623,713	
Debtors	12	3,124,083		2,415,839	
Cash at bank and in hand		52,469		228,257	
		6,345,528		5,267,809	
CREDITORS					
Amounts falling due within one year	13	4,647,927		3,765,431	
NET CURRENT ASSETS			1,697,601		1,502,378
TOTAL ASSETS LESS CURRENT LIABILITIES			3,108,124		3,106,600
CREDITORS					
Amounts falling due after more than one year	14		(266,478)		(502,112)
PROVISIONS FOR LIABILITIES	18		(66,882)		(77,164)
NET ASSETS			2,774,764		2,527,324
CAPITAL AND RESERVES					
Called up share capital	19		2,120		2,120
Capital redemption reserve	20		880		880
Retained earnings	20		2,771,764		2,524,324
SHAREHOLDERS' FUNDS			2,774,764		2,527,324

The financial statements were approved by the Board of Directors on 19th August 2019 and were signed on its behalf by:

Mr N J Lathe - Director

The notes form part of these financial statements

Statement of Changes in Equity
for the Year Ended 31st December 2018

	Called up share capital £	Retained earnings £	Capital redemption reserve £	Total equity £
Balance at 1st January 2017	2,120	1,640,079	880	1,643,079
Changes in equity				
Dividends	-	(376,625)	-	(376,625)
Total comprehensive income	-	1,260,870	-	1,260,870
Balance at 31st December 2017	<u>2,120</u>	<u>2,524,324</u>	<u>880</u>	<u>2,527,324</u>
Changes in equity				
Dividends	-	(447,705)	-	(447,705)
Total comprehensive income	-	695,145	-	695,145
Balance at 31st December 2018	<u>2,120</u>	<u>2,771,764</u>	<u>880</u>	<u>2,774,764</u>

**Statement of Cash Flows
for the Year Ended 31st December 2018**

	Notes	2018 £	2017 £
Cash flows from operating activities			
Cash generated from operations	1	809,613	1,187,665
Interest paid		(33,921)	(16,829)
Interest element of hire purchase payments paid		(15,291)	(11,154)
Tax paid		54,517	(187,969)
Dividends paid		(447,705)	(376,625)
Net cash from operating activities		<u>367,213</u>	<u>595,088</u>
Cash flows from investing activities			
Purchase of tangible fixed assets		(79,892)	(159,182)
Sale of tangible fixed assets		-	7,500
Net cash from investing activities		<u>(79,892)</u>	<u>(151,682)</u>
Cash flows from financing activities			
Hire purchase repayments		(434,224)	(419,536)
Movement in directors' current accounts		(28,885)	(50,113)
Net cash from financing activities		<u>(463,109)</u>	<u>(469,649)</u>
Decrease in cash and cash equivalents		<u>(175,788)</u>	<u>(26,243)</u>
Cash and cash equivalents at beginning of year	2	<u>228,257</u>	254,500
Cash and cash equivalents at end of year	2	<u>52,469</u>	<u>228,257</u>

The notes form part of these financial statements

Notes to the Statement of Cash Flows
for the Year Ended 31st December 2018

1. RECONCILIATION OF PROFIT BEFORE TAXATION TO CASH GENERATED FROM OPERATIONS

	2018	2017
	£	£
Profit before taxation	700,351	1,504,840
Depreciation charges	372,052	321,081
Profit on disposal of fixed assets	-	(7,500)
Finance costs	<u>49,212</u>	<u>27,983</u>
	<u>1,121,615</u>	<u>1,846,404</u>
Increase in stocks	(545,263)	(473,461)
(Increase)/decrease in trade and other debtors	(708,244)	196,654
Increase/(decrease) in trade and other creditors	<u>941,505</u>	<u>(381,932)</u>
Cash generated from operations	<u>809,613</u>	<u>1,187,665</u>

2. CASH AND CASH EQUIVALENTS

The amounts disclosed on the Statement of Cash Flows in respect of cash and cash equivalents are in respect of these Statement of Financial Position amounts:

Year ended 31st December 2018

	31.12.18	1.1.18
	£	£
Cash and cash equivalents	<u>52,469</u>	<u>228,257</u>

Year ended 31st December 2017

	31.12.17	1.1.17
	£	£
Cash and cash equivalents	<u>228,257</u>	<u>254,500</u>

**Notes to the Financial Statements
for the Year Ended 31st December 2018**

1. STATUTORY INFORMATION

Mec Com Limited is a private company, limited by shares, registered in England and Wales. The company's registered number and registered office address can be found on the Company Information page.

The presentation currency of the financial statements is the Pound Sterling (£).

2. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Companies Act 2006.

3. ACCOUNTING POLICIES

Basis of preparing the financial statements

The financial statements have been prepared under the historical cost convention.

Turnover

Turnover is measured at the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes.

Turnover is recognised when the significant risks and rewards of ownership of the goods has transferred to the buyer. This is usually at the point the customer has signed for the delivery of the goods.

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life or, if held under a finance lease, over the lease term, whichever is the shorter.

Improvements to property	- 20% on cost and 10% on cost
Plant and machinery	- 20% on cost
Fixtures and fittings	- 20% on cost and 10% on cost
Motor vehicles	- 25% on cost
Computer equipment	- 33% on cost

Tangible fixed assets are reviewed annually to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset is estimated and compared with its carrying amount. If estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in profit or loss.

Stocks

Stocks are valued at the lower of cost, using the first in first out method, and selling price less costs to complete and sell. Provision is made for obsolete and slow moving items.

Research and development

Expenditure on research and development is written off in the year in which it is incurred.

Notes to the Financial Statements - continued
for the Year Ended 31st December 2018

3. ACCOUNTING POLICIES - continued

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the reporting date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

Hire purchase and leasing commitments

Assets obtained under hire purchase contracts or finance leases are capitalised in the statement of financial position. Those held under hire purchase contracts are depreciated over their estimated useful lives. Those held under finance leases are depreciated over their estimated useful lives or the lease term, whichever is the shorter.

The interest element of these obligations is charged to profit or loss over the relevant period. The capital element of the future payments is treated as a liability.

Rentals paid under operating leases are charged to profit or loss on a straight line basis over the period of the lease.

Pension costs and other post-retirement benefits

The company operates a defined contribution pension scheme. Contributions payable to the company's pension scheme are charged to profit or loss in the period to which they relate.

Debtors

Short term debtors are measured at transaction price, less any impairment.

Creditors

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

Derivative financial instruments

Derivative financial instruments are recognised at fair value with any gains or losses being reported in profit or loss.

Government grants

Grants received as a contribution towards capital expenditure are credited to profit over the useful economic life of the related asset.

Grants received in respect of immediate financial support are recognised in profit in the financial year in which they become receivable.

Notes to the Financial Statements - continued
for the Year Ended 31st December 2018

3. ACCOUNTING POLICIES - continued

Taxation

Current tax is recognised for the amount payable in respect of the taxable profit for the current or past reporting periods using the tax rates and laws that have been enacted or substantively enacted by the reporting date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the reporting date where transactions or events have occurred at that date that will result in an obligation to pay more tax in the future, or a right to pay less tax in the future. Timing differences are temporary differences between the company's taxable profits and its results as stated in the financial statements.

Deferred tax is measured on an undiscounted basis at the tax rates that are anticipated to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the reporting date.

4. TURNOVER

The turnover and profit before taxation are attributable to the one principal activity of the company.

An analysis of turnover by geographical market is given below:

	2018	2017
	£	£
UK	6,951,103	5,796,092
Europe	6,616,923	10,191,435
Rest of the World	2,609,797	2,109,445
	<u>16,177,823</u>	<u>18,096,972</u>

5. EMPLOYEES AND DIRECTORS

	2018	2017
	£	£
Wages and salaries	3,129,505	3,684,219
Social security costs	253,200	283,247
Other pension costs	62,265	288,253
	<u>3,444,970</u>	<u>4,255,719</u>

The average number of employees during the year was as follows:

	2018	2017
Directors	2	2
Administration	66	57
Production	71	110
	<u>139</u>	<u>169</u>

Notes to the Financial Statements - continued
for the Year Ended 31st December 2018

5. **EMPLOYEES AND DIRECTORS - continued**

	2018	2017
	£	£
Directors' remuneration	33,535	32,057
Directors' pension contributions to money purchase schemes	<u>-</u>	<u>248,600</u>

The number of directors to whom retirement benefits were accruing was as follows:

Money purchase schemes	<u>-</u>	<u>2</u>
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6. **OPERATING PROFIT**

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

	2018	2017
	£	£
Plant hire	29,420	31,713
Depreciation - owned assets	336,384	202,310
Depreciation - assets on hire purchase contracts	35,667	118,770
Profit on disposal of fixed assets	-	(7,500)
Auditors' remuneration	16,500	16,300
Foreign exchange differences	99,907	(267,156)
Operating lease payments	<u>231,789</u>	<u>200,966</u>

7. **INTEREST PAYABLE AND SIMILAR EXPENSES**

	2018	2017
	£	£
Debt factoring interest	33,921	16,829
Hire purchase interest	<u>15,291</u>	<u>11,154</u>
	<u>49,212</u>	<u>27,983</u>

Notes to the Financial Statements - continued
for the Year Ended 31st December 2018

8. TAXATION

Analysis of the tax charge

The tax charge on the profit for the year was as follows:

	2018 £	2017 £
Current tax:		
UK corporation tax	147,417	215,066
Adjustments in respect of prior years	<u>(131,929)</u>	-
Total current tax	<u>15,488</u>	<u>215,066</u>
Deferred tax: Origination and reversal of timing differences	<u>(10,282)</u>	<u>28,904</u>
Tax on profit	<u>5,206</u>	<u>243,970</u>

Reconciliation of total tax charge included in profit and loss

The tax assessed for the year is lower than the standard rate of corporation tax in the UK. The difference is explained below:

	2018 £	2017 £
Profit before tax	<u>700,351</u>	<u>1,504,840</u>
Profit multiplied by the standard rate of corporation tax in the UK of 19% (2017 - 19%)	133,067	285,920
Effects of:		
Expenses not deductible for tax purposes	4,068	3,512
Adjustments to tax charge in respect of previous periods	(131,929)	(48,857)
Change in standard rate of corporation tax	-	3,395
Total tax charge	<u>5,206</u>	<u>243,970</u>

9. DIVIDENDS

	2018 £	2017 £
Ordinary A shares of £1 each		
Dividends paid	261,452	203,650
Ordinary B shares of £1 each		
Dividends paid	<u>186,253</u>	<u>172,975</u>
	<u>447,705</u>	<u>376,625</u>

Notes to the Financial Statements - continued
for the Year Ended 31st December 2018

10. TANGIBLE FIXED ASSETS

	Improvements to property £	Plant and machinery £	Fixtures and fittings £
COST			
At 1st January 2018	368,496	4,175,255	166,000
Additions	<u>17,080</u>	<u>148,605</u>	<u>708</u>
At 31st December 2018	<u>385,576</u>	<u>4,323,860</u>	<u>166,708</u>
DEPRECIATION			
At 1st January 2018	226,529	2,826,548	134,329
Charge for year	<u>20,967</u>	<u>308,122</u>	<u>11,215</u>
At 31st December 2018	<u>247,496</u>	<u>3,134,670</u>	<u>145,544</u>
NET BOOK VALUE			
At 31st December 2018	<u>138,080</u>	<u>1,189,190</u>	<u>21,164</u>
At 31st December 2017	<u>141,967</u>	<u>1,348,707</u>	<u>31,671</u>
	Motor vehicles £	Computer equipment £	Totals £
COST			
At 1st January 2018	43,153	456,724	5,209,628
Additions	<u>-</u>	<u>11,959</u>	<u>178,352</u>
At 31st December 2018	<u>43,153</u>	<u>468,683</u>	<u>5,387,980</u>
DEPRECIATION			
At 1st January 2018	25,139	392,861	3,605,406
Charge for year	<u>6,295</u>	<u>25,452</u>	<u>372,051</u>
At 31st December 2018	<u>31,434</u>	<u>418,313</u>	<u>3,977,457</u>
NET BOOK VALUE			
At 31st December 2018	<u>11,719</u>	<u>50,370</u>	<u>1,410,523</u>
At 31st December 2017	<u>18,014</u>	<u>63,863</u>	<u>1,604,222</u>

Notes to the Financial Statements - continued
for the Year Ended 31st December 2018

10. TANGIBLE FIXED ASSETS - continued

Fixed assets, included in the above, which are held under hire purchase contracts are as follows:

	Plant and machinery £
COST	
At 1st January 2018	1,095,000
Additions	75,293
Transfer to ownership	(60,000)
At 31st December 2018	<u>1,110,293</u>
DEPRECIATION	
At 1st January 2018	118,083
Charge for year	35,667
Transfer to ownership	(25,000)
At 31st December 2018	<u>128,750</u>
NET BOOK VALUE	
At 31st December 2018	<u>981,543</u>
At 31st December 2017	<u>976,917</u>

11. STOCKS

	2018 £	2017 £
Raw materials	1,643,194	1,010,392
Work-in-progress	<u>1,525,782</u>	<u>1,613,321</u>
	<u>3,168,976</u>	<u>2,623,713</u>

Stock recognised as an expense in cost of sales during the year was £10,096,131 (2017 - £10,785,310).

12. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2018 £	2017 £
Trade debtors	2,987,175	2,284,531
Other debtors	27	24,322
Prepayments and accrued income	<u>136,881</u>	<u>106,986</u>
	<u>3,124,083</u>	<u>2,415,839</u>

Notes to the Financial Statements - continued
for the Year Ended 31st December 2018

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2018	2017
	£	£
Bank loans and overdrafts (see note 15)	118,809	-
Hire purchase contracts (see note 16)	306,945	407,075
Trade creditors	1,503,111	1,813,038
Tax	279,495	209,490
Social security and other taxes	95,724	120,207
VAT	59,588	-
Other creditors	21,364	28,520
Debt factoring	2,099,418	1,060,011
Directors' current accounts	1,204	30,089
Accrued expenses	162,269	97,001
	<u>4,647,927</u>	<u>3,765,431</u>

14. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2018	2017
	£	£
Hire purchase contracts (see note 16)	<u>266,478</u>	<u>502,112</u>

15. LOANS

An analysis of the maturity of loans is given below:

	2018	2017
	£	£
Amounts falling due within one year or on demand:		
Bank loans	<u>118,809</u>	<u>-</u>

Notes to the Financial Statements - continued
for the Year Ended 31st December 2018

16. LEASING AGREEMENTS

Minimum lease payments fall due as follows:

	Hire purchase contracts	
	2018	2017
	£	£
Gross obligations repayable:		
Within one year	323,077	421,825
Between one and five years	<u>280,443</u>	<u>529,265</u>
	<u>603,520</u>	<u>951,090</u>
Finance charges repayable:		
Within one year	16,132	14,750
Between one and five years	<u>13,965</u>	<u>27,153</u>
	<u>30,097</u>	<u>41,903</u>
Net obligations repayable:		
Within one year	306,945	407,075
Between one and five years	<u>266,478</u>	<u>502,112</u>
	<u>573,423</u>	<u>909,187</u>
	Non-cancellable operating leases	
	2018	2017
	£	£
Within one year	226,355	239,289
Between one and five years	1,068,578	1,178,432
In more than five years	-	161,000
	<u>1,294,933</u>	<u>1,578,721</u>

Notes to the Financial Statements - continued
for the Year Ended 31st December 2018

17. SECURED DEBTS

The following secured debts are included within creditors:

	2018	2017
	£	£
Bank loans	118,809	-
Hire purchase contracts	573,423	909,187
Debt factoring	2,099,418	1,060,011
	<u>2,791,650</u>	<u>1,969,198</u>

Bank loans and debt factoring are secured by a charge over all assets. Hire purchase liabilities are secured by the assets to which they relate.

18. PROVISIONS FOR LIABILITIES

	2018	2017
	£	£
Deferred tax		
Accelerated capital allowances	<u>66,882</u>	<u>77,164</u>
		Deferred tax
		£
Balance at 1st January 2018		77,164
Credit to Statement of Comprehensive Income during year		<u>(10,282)</u>
Balance at 31st December 2018		<u>66,882</u>

The amount of the net reversal of deferred tax expected to occur in the forthcoming year is £29,006 (2017 - £29,348), relating to the reversal of existing timing differences on tangible fixed assets.

19. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	2018	2017
			£	£
1,000	Ordinary A	£1	1,000	1,000
1,000	Ordinary B	£1	1,000	1,000
120	Ordinary C	£1	120	120
			<u>2,120</u>	<u>2,120</u>

All shares rank pari passu in all respects.

Notes to the Financial Statements - continued
for the Year Ended 31st December 2018

20. RESERVES

	Retained earnings £	Capital redemption reserve £	Totals £
At 1st January 2018	2,524,324	880	2,525,204
Profit for the year	695,145	-	695,145
Dividends	(447,705)	-	(447,705)
At 31st December 2018	<u>2,771,764</u>	<u>880</u>	<u>2,772,644</u>

Retained earnings consists of all current and prior period retained profits and losses.

Capital redemption reserve is the nominal value of share capital that has been repurchased by the company.

21. RELATED PARTY DISCLOSURES

European Fabrications S.R.L.

A company controlled by the directors of Mec Com Limited and with which Mec Com Limited trades on a regular basis.

During the year ended 31st December 2018 sales of £414,787 (2017- £205,454) were made to European Fabrications S.R.L. and purchases of £4,651,348 (2017- £4,202,672) were made from European Fabrications S.R.L. Also during this period management charges of £61,824 (2017- £27,915) were invoiced by Mec Com Limited to European Fabrications S.R.L.

Included in creditors due within one year at 31st December 2018 is £76,062 (2017- £300,522) owed to European Fabrications S.R.L.

22. SIGNIFICANT JUDGEMENTS AND ESTIMATES

Management is required to make judgements, estimates and assumptions about the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision only affects that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The key source of estimation uncertainty that has a significant effect on the amounts recognised in the financial statements is the provision for slow-moving and obsolescent stock.

Notes to the Financial Statements - continued
for the Year Ended 31st December 2018

23. **FINANCIAL RISK MANAGEMENT**

The company has exposures to the main areas of risk of customer credit exposure, liquidity, market and foreign exchange currency exposure. To a lesser extent, the company is exposed to interest rate risk.

Customer credit exposure

The company offers credit terms to its customers which allow payment of the debt after delivery of the goods. The company is at risk to the extent that a customer may be unable to pay the debt on the specified due date.

To mitigate the risk, the company makes use of independent rating agencies and other publicly available financial information. The company's exposure and its customers creditworthiness is continually monitored so that any potential problems are detected at an early stage.

Liquidity risk

The objective of the company in managing liquidity risk is to ensure that it can meet its financial obligations as and when they fall due. The company expects to meet its financial obligations through operating cash flows. The directors continually monitor both forecast and actual cash flows to identify potential problems at an early stage.

Market risk

The company faces fierce competition from low cost countries namely China, India and from those located in Eastern Europe.

The company continually works to streamline its cost base to ensure it remains competitive. Part of this ongoing initiative is the expansion of a global supply chain involving the procurement of high volume parts from China as well as medium to high volume products from facilities in Romania.

Foreign exchange currency exposure

A proportion of the company's sales are denominated in currencies other than Sterling which are only partially offset by expenses denominated in those currencies. A significant weakening of these currencies against sterling could materially impact the company's performance.

The company sets internal exchange rates for determining pricing and enters into forward contracts based on forecast transactions to achieve or better these rates.

Interest rate risk

The company borrows from its bankers using overdrafts and debt factoring facilities. Significant changes in interest rates would impact on the company's results.

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