Registration number: 06916722

PROCESS COMPONENTS LIMITED

ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

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PROCESS COMPONENTS LIMITED

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PROCESS COMPONENTS LIMITED

COMPANY INFORMATION

Directors	A Goodwin
	R Palmer
	D Leslie
Company secretary	H Wild
Registered office	Rupert House London Road South Poynton Stockport SK12 1PQ
Auditors	Hazlewoods LLP Staverton Court Staverton Cheltenham GL51 0UX

PROCESS COMPONENTS LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 30 JUNE 2016

The directors present their strategic report for the year ended 30 June 2016.

Principal activity
The principal activity of the company is that of the distribution of powder handling machines and the manufacture and supply of commodity components for these machines.

Fair review of the business
The Board notes that the business has been adversely effected during the trading year due to a difficult and costly legal dispute with a former manufacturing licensee. There have been two significant impacts from the legal dispute: a detrimental effect on customer confidence, especially in our subsidiary's key market of North America, and group profitability, driven down by exceptional fees.

The Board is pleased to confirm that a ruling was made on the 5 September 2016 in the High Court of Justice, Chancery Division, London in favour of Process Components Limited, following which the company received damages and costs of £0.78 million, which represent a contingent asset as at 30 June 2016, as detailed in note 26 to these financial statements.

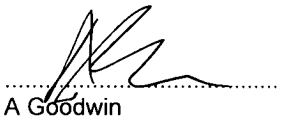
The impact of the legal dispute on trading had an understandably negative impact on group net assets seeing them fall from £1.95 million to £1.22 million in the year. However, the Board are satisfied that sufficient resources exist to enable the group to continue trading for the foreseeable future, regardless of the level at which damages and costs are awarded following the September ruling.

The group is now positioned to maximise market presence and exploit fully its strong portfolio of industrial brands and related technologies. As such, the Board is confident in the group's ability to recover fully from this difficult year, supported by significant investment in facilities and personnel. The full benefits of the investment are expected to be realised over the next 2-3 years.

The directors take full advantage of the latest business systems, monitoring the performance of the group through detailed management reports.

As ever, the Board are grateful for the continued support of the group's employees, customers, and suppliers.

Approved by the Board on 9 August 2017 and signed on its behalf by:



A Goodwin
Director

PROCESS COMPONENTS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2016

The directors present their report and the consolidated financial statements for the year ended 30 June 2016.

Directors of the group
The directors who held office during the year were as follows:

A Goodwin

R Palmer

D Leslie

Financial instruments

Price risk, credit risk, liquidity risk and cash flow risk

Liquidity Risk
The group manages its cash and borrowing requirements centrally in order to ensure the group has sufficient resources to meet its operating needs.

Interest rate risk
The majority of the group's borrowings are at a fixed rate of interest. The group is therefore not subject to the risk that cash flows will be affected by changing bank base rates.

Foreign currency risk
The group's principal foreign currency exposures arise from the translation of the results of the overseas subsidiary. The group monitor exchange rate fluctuations to mitigate this risk.

Credit risk
All customers who wish to trade on credit terms are subject to credit verification procedures. Trade debtors are monitored on an ongoing basis and provision is made for doubtful debts where necessary.

Disclosure of information to the auditor
Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditor is unaware.

Reappointment of auditors
Hazlewoods LLP were appointed auditors to the company and in accordance with section 485 of the Companies Act 2006, a resolution proposing that they be re-appointed will be put at a General Meeting.

Approved by the Board on 9 August 2017 and signed on its behalf by:

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A Goodwin
Director

PROCESS COMPONENTS LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

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

- select suitable accounting policies and 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; and
- 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 group's and the company's transactions and disclose with reasonable accuracy at any time the financial position of the group and 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 group and the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

PROCESS COMPONENTS LIMITED

INDEPENDENT AUDITOR'S REPORT

We have audited the financial statements of Process Components Limited for the year ended 30 June 2016, set out on pages 7 to 32. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditor
As explained more fully in the Statement of Directors' Responsibilities (set out on page 4), the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors to the financial statements.

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

Opinion on the financial statements
In our opinion the financial statements:

- give a true and fair view of the state of the group's and the company's affairs as at 30 June 2016 and of the group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the Directors' Report and Strategic Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

INDEPENDENT AUDITOR'S REPORT

Matters on which we are required to report by exception

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

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

.....
Paul Fussell (Senior Statutory Auditor)
For and on behalf of Hazlewoods LLP, Statutory Auditor

Staverton Court
Staverton
Cheltenham
GL51 0UX

9 August 2017

PROCESS COMPONENTS LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 JUNE 2016

	Note	2016 £	2015 £
Turnover	3	5,166,304	6,791,891
Cost of sales		(2,580,520)	(3,851,893)
Gross profit		2,585,784	2,939,998
Administrative expenses - normal		(2,440,047)	(2,215,456)
Administrative expenses - exceptional	5	(1,156,800)	-
Operating (loss)/profit		(1,011,063)	724,542
Other interest receivable and similar income	6	114	479
Interest payable and similar charges	7	(758)	(5,782)
		(644)	(5,303)
(Loss)/profit before tax		(1,011,707)	719,239
Taxation	10	156,155	(269,639)
(Loss)/profit for the financial year		(855,552)	449,600
Profit/(loss) attributable to:			
Owners of the company		(855,552)	449,600

The above results were derived from continuing operations.

PROCESS COMPONENTS LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2016

	2016 £	2015 £
(Loss)/profit for the year	(855,552)	449,600
Foreign currency translation gains/(losses)	121,370	32,055
Total comprehensive income attributable to:		
Owners of the company	(734,182)	481,655

PROCESS COMPONENTS LIMITED

(REGISTRATION NUMBER: 06916722)
CONSOLIDATED BALANCE SHEET AS AT 30 JUNE 2016

	Note	2016 £	2015 £
Fixed assets			
Intangible assets	11	349,569	461,134
Tangible assets	12	125,388	129,879
		474,957	591,013
Current assets			
Stocks	14	917,978	758,377
Debtors	15	1,339,201	1,238,808
Cash at bank and in hand		268,767	662,167
		2,525,946	2,659,352
Creditors: Amounts falling due within one year	16	(1,792,600)	(1,300,550)
Net current assets		733,346	1,358,802
Total assets less current liabilities		1,208,303	1,949,815
Provisions for liabilities		7,330	-
Net assets		1,215,633	1,949,815
Capital and reserves			
Called up share capital	18	105	105
Retained earnings	19	1,215,528	1,949,710
Equity attributable to owners of the company		1,215,633	1,949,815
Total equity		1,215,633	1,949,815

Approved and authorised by the Board on 9 August 2017 and signed on its behalf by:

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A Goodwin
Director

PROCESS COMPONENTS LIMITED

(REGISTRATION NUMBER: 06916722)
BALANCE SHEET AS AT 30 JUNE 2016

	Note	2016 £	2015 £
Fixed assets			
Intangible assets	11	349,569	461,134
Tangible assets	12	86,034	96,570
Investments	13	114,815	114,815
		550,418	672,519
Current assets			
Stocks	14	718,223	499,751
Debtors	15	667,597	511,500
Cash at bank and in hand		92,921	163,105
		1,478,741	1,174,356
Creditors: Amounts falling due within one year	16	(1,446,665)	(458,170)
Net current assets		32,076	716,186
Total assets less current liabilities		582,494	1,388,705
Provisions for liabilities		-	(7,330)
Net assets		582,494	1,381,375
Capital and reserves			
Called up share capital		105	105
Retained earnings		582,389	1,381,270
Total equity		582,494	1,381,375

Approved and authorised by the Board on 9 August 2017 and signed on its behalf by:

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A Goodwin

Director

PROCESS COMPONENTS LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2016

	Share capital £	Retained earnings £	Total £	Total equity £
At 1 July 2015	105	1,949,710	1,949,815	1,949,815
Loss for the year	-	(855,552)	(855,552)	(855,552)
Other comprehensive income	-	121,370	121,370	121,370
Total comprehensive income	-	(734,182)	(734,182)	(734,182)
At 30 June 2016	105	1,215,528	1,215,633	1,215,633

	Share capital £	Retained earnings £	Total £	Total equity £
At 1 July 2014	105	1,468,055	1,468,160	1,468,160
Profit for the year	-	449,600	449,600	449,600
Other comprehensive income	-	32,055	32,055	32,055
Total comprehensive income	-	481,655	481,655	481,655
At 30 June 2015	105	1,949,710	1,949,815	1,949,815

PROCESS COMPONENTS LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2016

	Share capital £	Retained earnings £	Total £
At 1 July 2015	105	1,381,270	1,381,375
Loss for the year	-	(798,881)	(798,881)
Total comprehensive income	-	(798,881)	(798,881)
At 30 June 2016	105	582,389	582,494

	Share capital £	Retained earnings £	Total £
At 1 July 2014	105	1,231,015	1,231,120
Profit for the year	-	150,255	150,255
Total comprehensive income	-	150,255	150,255
At 30 June 2015	105	1,381,270	1,381,375

PROCESS COMPONENTS LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2016

	Note	2016 £	2015 £
Cash flows from operating activities			
(Loss)/profit for the year		(855,552)	449,600
Adjustments to cash flows from non-cash items			
Depreciation and amortisation	4	163,679	163,233
Profit on disposal of property plant and equipment		-	(6,783)
Finance income	6	(114)	(479)
Finance costs	5	758	5,782
Income tax expense	10	(156,155)	269,639
		(847,384)	880,992
Working capital adjustments			
Increase in inventories	14	(159,601)	(145,244)
Decrease/(increase) in trade and other receivables	15	212,188	(234,834)
Increase in trade and other payables	16	568,198	326,740
Cash generated from operations		(226,599)	827,654
Income taxes paid	10	(246,529)	(246,772)
Net cash flow from operating activities		(473,128)	580,882
Cash flows from investing activities			
Interest received		114	479
Acquisitions of property plant and equipment		(41,916)	(60,589)
Proceeds from sale of property plant and equipment		-	6,783
Acquisition of intangible assets	11	-	(28,370)
Net cash flows from investing activities		(41,802)	(81,697)
Cash flows from financing activities			
Interest paid	5	(758)	(5,782)
Repayment of other borrowing		-	(542,096)
Net cash flows from financing activities		(758)	(547,878)
Net decrease in cash and cash equivalents		(515,688)	(48,693)
Cash and cash equivalents at 1 July		662,167	710,860
Cash and cash equivalents at 30 June		146,479	662,167

1 General information

The company is a incorporated and domiciled in England and Wales.

The address of its registered office is:
Rupert House
London Road South
Poynton
Stockport
SK12 1PQ

These financial statements were authorised for issue by the Board on 9 August 2017.

2 Accounting policies

Summary of significant accounting policies and key accounting estimates
The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Statement of compliance
These financial statements were prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

Basis of preparation
These financial statements have been prepared using the historical cost convention except for, where disclosed in these accounting policies, certain items that are shown at fair value.

These financial statements have been prepared using UK £ as the presentational currency and are presented in round £s.

Summary of disclosure exemption
Process Components Limited meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its financial statements. Exemptions have been taken in relation to presentation of the company cash flow statement and presentation of the company profit and loss statement.

Basis of consolidation
The consolidated financial statements consolidate the financial statements of the company and its subsidiary undertakings drawn up to 30 June 2016.

2 Accounting policies (continued)

A subsidiary is an entity controlled by the company. Control is achieved where the company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the Profit and Loss Account from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the group.

The purchase method of accounting is used to account for business combinations that result in the acquisition of subsidiaries by the group. The cost of a business combination is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the business combination. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Any excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised is recorded as goodwill.

Inter-company transactions, balances and unrealised gains on transactions between the company and its subsidiaries, which are related parties, are eliminated in full.

Intra-group losses are also eliminated but may indicate an impairment that requires recognition in the consolidated financial statements.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group. Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling shareholder's share of changes in equity since the date of the combination.

No profit and loss account is presented for the company as permitted by Section 408 of the Companies Act 2006. Its loss for the financial year was £798,881 (2015 - £150,255 profit).

Going concern

The directors have prepared forecasts that indicate that the group will return to profitability and meet all liabilities as they fall due. On this basis, the directors consider it is appropriate to prepare the financial statements on a going concern basis.

Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparant from other sources.

The estimates and associated 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 affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The carrying amount is £Nil (2015 -£Nil).

Judgements

Management have made a significant judgement with regards to the stock provision in the period. The carrying amount of the provision is £148,521 (2015 - £136,450).

Revenue recognition

Turnover comprises the fair value of the consideration received or receivable for the sale of goods and provision of services in the ordinary course of the group's activities. Turnover is shown net of sales/value added tax, returns, rebates and discounts and after eliminating sales within the company.

2 Accounting policies (continued)

Research and development
Expenditure on research and development is written off to the profit and loss account in the year which it is incurred.

Foreign currency transactions and balances
Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into the respective functional currency of the entity at the rates prevailing on the reporting period date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the initial transaction dates.

Non-monetary items measured in terms of historical cost in a foreign currency are not retranslated.

Tax
The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

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

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements and on unused tax losses or tax credits in the group. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

The carrying amount of deferred tax assets are reviewed at each reporting date and a valuation allowance is set up against deferred tax assets so that the net carrying amount equals the highest amount that is more likely than not to be recovered based on current or future taxable profit.

Property, plant and equipment
Tangible assets is stated in the statement of financial position at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of tangible assets includes directly attributable incremental costs incurred in their acquisition and installation.

Depreciation
Depreciation is charged so as to write off the cost of assets, other than land and properties under construction over their estimated useful lives, as follows:

Asset class	Depreciation method and rate
Short leasehold land and buildings	5 years over the life of the lease
Plant and machinery	14 - 20% of cost per annum
Fixtures and fittings	10 - 33% of cost per annum

Business combinations
Business combinations are accounted for using the purchase method. The consideration for each acquisition is measured at the aggregate of the fair values at acquisition date of assets given, liabilities incurred or assumed, and equity instruments issued by the group in exchange for control of the acquired, plus any costs directly attributable to the business combination. When a business combination agreement provides for an adjustment to the cost of the combination contingent on future events, the group includes the estimated amount of that adjustment in the cost of the combination at the acquiisition date if the adjustment is probable and can be measured reliably.

2 Accounting policies (continued)

Intangible assets
Goodwill arising on the acquisition of an entity represents the excess of the cost of acquisition over the group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the entity recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is held in the currency of the acquired entity and revalued to the closing rate at each reporting period date.

Negative goodwill arising on an acquisition is recognised on the face of the balance sheet on the acquisition date and subsequently the excess up to the fair value of non-monetary assets acquired is recognised in profit or loss in the periods in which the non-monetary assets are recovered.

Separately acquired trademarks and licences are shown at historical cost.

Trademarks, licences (including software) and customer-related intangible assets acquired in a business combination are recognised at fair value at the acquisition date.

Trademarks, licences and customer-related intangible assets have a finite useful life and are carried at cost less accumulated amortisation and any accumulated impairment losses.

Amortisation
Amortisation is provided on intangible assets so as to write off the cost, less any estimated residual value, over their useful life as follows:

Asset class	Amortisation method and rate
Patents	10% of cost per annum
Goodwill	10 years over its estimated useful economic life

Cash and cash equivalents
Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

Trade receivables
Trade debtors are amounts due from customers for merchandise sold or services performed in the ordinary course of business.

Trade debtors are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for the impairment of trade debtors is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the receivables.

Inventories
Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is determined using the first-in, first-out (FIFO) method.

The cost of finished goods and work in progress comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. At each reporting date, stocks are assessed for impairment. If stocks are impaired, the carrying amount is reduced to its selling price less costs to complete and sell; the impairment loss is recognised immediately in profit or loss.

2 Accounting policies (continued)

Trade payables
Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if the group does not have an unconditional right, at the end of the reporting period, to defer settlement of the creditor for at least twelve months after the reporting date. If there is an unconditional right to defer settlement for at least twelve months after the reporting date, they are presented as non-current liabilities.

Trade creditors are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

Borrowings
Interest-bearing borrowings are initially recorded at fair value, net of transaction costs. Interest-bearing borrowings are subsequently carried at amortised cost, with the difference between the proceeds, net of transaction costs, and the amount due on redemption being recognised as a charge to the Profit and Loss Account over the period of the relevant borrowing.

Interest expense is recognised on the basis of the effective interest method and is included in interest payable and similar charges.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

Leases
Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee.

Assets held under finance leases are recognised at the lower of their fair value at inception of the lease and the present value of the minimum lease payments. These assets are depreciated on a straight-line basis over the shorter of the useful life of the asset and the lease term. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation.

Lease payments are apportioned between finance costs in the profit and loss account and reduction of the lease obligation so as to achieve a constant periodic rate of interest on the remaining balance of the liability.

Share capital
Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

Defined contribution pension obligation
A defined contribution plan is a pension plan under which fixed contributions are paid into a pension fund and the group has no legal or constructive obligation to pay further contributions even if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Contributions to defined contribution plans are recognised as employee benefit expense when they are due. If contribution payments exceed the contribution due for service, the excess is recognised as a prepayment.

2 Accounting policies (continued)

Financial instruments

Classification

The company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities such as trade and other receivables and payables, loans from related parties and investments in non-puttable ordinary shares.

Financial instruments are classified and accounted for according to the substance of the contractual arrangement, as financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities. Where shares are issued, any component that creates a financial liability of the company is presented as a liability on the balance sheet. The corresponding dividends relating to the liability component are charged as interest expenses in the profit and loss account.

Debt instruments like loans and other receivables and payables are initially measured at present value of the future payments and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of 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 of financed at a rate of interest that is not a market rate or in case of an outright short-term loan not at market rate, the financial asset or liability is measured, initially and subsequently, at the present value of future payments discounted at a market rate of interest for a similar debt instrument.

Recognition and measurement

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 profit or loss. For financial assets measured at amortised cost, the impairment loss is measured as the difference between an assets carrying value and the present value of estimated cash flows discounted at the assets 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 assets carrying amount and the best estimate, which is an approximation, of the amount that the company would receive for the asset if it were to be sold at the reporting date.

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

Impairment

At each reporting date non-financial assets not carried at fair value, such as property, plant and equipment are reviewed to determine whether there is an indication that an asset may be impaired. If there is an indication of possible impairment, the recoverable amount of any asset or group of related assets, which is the higher of value in use and the fair value less costs to sell, is estimated and compared with its carrying amount. If the recoverable amount is lower, the carrying amount of the asset is reduced to its recoverable amount and an impairment loss is recognised immediately in profit or loss.

3 Revenue

The analysis of the group's revenue for the year from continuing operations is as follows:

	2016	2015
	£	£
Sale of goods	5,166,304	6,791,891

The analysis of the group's revenue for the year by market is as follows:

	2016	2015
	£	£
UK	585,550	813,643
United States of America	3,544,473	4,795,909
Rest of world	1,036,281	1,182,339
	5,166,304	6,791,891

4 Operating profit

Arrived at after charging/(crediting)

	2016	2015
	£	£
Depreciation expense	52,114	53,796
Amortisation expense	111,565	109,437
Research and development cost	128,772	63,527
Foreign exchange gain	(181,291)	(673)
Operating lease expense - property	102,013	92,842
Operating lease expense - other	29,053	27,794
Profit on disposal of property, plant and equipment	-	(6,783)
Auditor's remuneration	22,310	22,310
Auditor's remuneration - Tax	4,450	5,111
Auditor's remuneration - Other	22,849	1,136

5 Exceptional items

	2016
	£
Exceptional legal costs	1,156,800

During the year the group have incurred exceptional costs in relation to a legal dispute with a former manufacturing licensee. The group were successful with their claim in September 2016. As the judgement was not reached until after the year end, the net amount receivable is considered to be a contingent asset in line with the provisions of FRS 102.

6 Other interest receivable and similar income

	2016	2015
	£	£
Interest income on bank deposits	114	479

7 Interest payable and similar charges

	2016	2015
	£	£
Interest on bank overdrafts and borrowings	338	624
Interest expense on other finance liabilities	420	5,158
	758	5,782

8 Staff costs

The aggregate payroll costs (including directors' remuneration) were as follows:

	2016	2015
	£	£
Wages and salaries	1,338,937	1,238,717
Social security costs	129,251	109,609
Pension costs, defined contribution scheme	87,025	73,809
	1,555,213	1,422,135

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

	2016	2015
	No.	No.
Administration and support	9	10
Sales, marketing and distribution	26	23
	35	33

9 Directors' remuneration

The directors' remuneration for the year was as follows:

	2016	2015
	£	£
Remuneration	143,947	115,103
Contributions paid to money purchase schemes	8,200	7,210
	152,147	122,313

10 Income tax

Tax charged/(credited) in the income statement

	2016 £	2015 £
Current taxation		
UK corporation tax	3,199	54,004
UK corporation tax adjustment to prior periods	1,553	1,991
	4,752	55,995
Foreign tax	-	198,671
Total current income tax	4,752	254,666
Deferred taxation		
Arising from origination and reversal of timing differences	(160,907)	14,973
Tax (receipt)/expense in the income statement	(156,155)	269,639

Deferred tax

Group

Deferred tax assets and liabilities

2016	**Asset** **£**
Accelerated capital allowances	(11,630)
Other timing differences	38,009
Losses and other deductions	150,017
	176,396

2015	**Asset** **£**
Accelerated capital allowances	(14,216)
Other timing differences	25,255
Losses and other deductions	-
	11,039

10 Income tax (continued)

Company
Deferred tax assets and liabilities

2016	Asset £
Accelerated capital allowances	(11,630)
Other timing differences	2,739
Losses and other deductions	150,017
	141,126

2015	Liability £
Accelerated capital allowances	(14,216)
Other timing differences	6,886
Losses and other deductions	-
	(7,330)

11 Intangible assets

Group

	Goodwill £	Patents £	Total £
Cost or valuation			
At 1 July 2015	1,091,276	31,464	1,122,740
At 30 June 2016	1,091,276	31,464	1,122,740
Amortisation			
At 1 July 2015	660,910	696	661,606
Amortisation charge	109,128	2,437	111,565
At 30 June 2016	770,038	3,133	773,171
Carrying amount			
At 30 June 2016	321,238	28,331	349,569
At 30 June 2015	430,366	30,768	461,134

The aggregate amount of research and development expenditure recognised as an expense during the period is £128,772 (2015 - £63,527).

11 Intangible assets (continued)

Company

	Goodwill £	Patents £	Total £
Cost or valuation			
At 1 July 2015	1,091,276	31,464	1,122,740
At 30 June 2016	1,091,276	31,464	1,122,740
Amortisation			
At 1 July 2015	660,910	696	661,606
Amortisation charge	109,128	2,437	111,565
At 30 June 2016	770,038	3,133	773,171
Carrying amount			
At 30 June 2016	321,238	28,331	349,569
At 30 June 2015	430,366	30,768	461,134

The aggregate amount of research and development expenditure recognised as an expense during the period is £128,772 (2015 - £63,527).

12 Property, plant and equipment

Group

	Short leasehold land and buildings £	Fixtures and fittings £	Motor vehicles £	Plant and machinery £	Total £
Cost or valuation					
At 1 July 2015	75,613	193,728	9,710	424,097	703,148
Exchange differences	3,042	19,118	-	46,485	68,645
Additions	-	14,985	-	26,931	41,916
At 30 June 2016	78,655	227,831	9,710	497,513	813,709
Depreciation					
At 1 July 2015	75,225	153,477	9,710	334,857	573,269
Charge for the year	388	17,457	-	34,269	52,114
Exchange differences	3,042	15,675	-	44,221	62,938
At 30 June 2016	78,655	186,609	9,710	413,347	688,321
Carrying amount					
At 30 June 2016	-	41,222	-	84,166	125,388
At 30 June 2015	388	40,251	-	89,240	129,879

12 Property, plant and equipment (continued)

Company

	Short leasehold land and buildings £	Fixtures and fittings £	Motor vehicles £	Plant and machinery £	Total £
Cost or valuation					
At 1 July 2015	57,853	82,115	9,710	152,677	302,355
Additions	-	8,744	-	17,163	25,907
At 30 June 2016	57,853	90,859	9,710	169,840	328,262
Depreciation					
At 1 July 2015	57,465	61,955	9,710	76,655	205,785
Charge for the year	388	7,429	-	28,626	36,443
At 30 June 2016	57,853	69,384	9,710	105,281	242,228
Carrying amount					
At 30 June 2016	-	21,475	-	64,559	86,034
At 30 June 2015	388	20,160	-	76,022	96,570

13 Investments

Company

Subsidiaries	£
Carrying value as at 30 June 2015 and 30 June 2016	114,815

Details of undertakings

Details of the investments in which the company holds 20% or more of the nominal value of any class of share capital are as follows:

Undertaking	Country of incorporation	Holding	Proportion of voting rights and shares held 2016	2015
Subsidiary undertakings				
Kemutec Group, Inc.	United States of America	Ordinary	100%	100%

The principal activity of Kemutec Group, Inc. is distribution of powder processing equipment.

14 Inventories

	Group		Company	
	2016	2015	2016	2015
	£	£	£	£
Stocks	917,978	758,377	718,223	499,751

Group
The cost of stocks recognised as an expense in the year amounted to £2,056,228 (2015 - £3,346,116).

Company
The cost of stocks recognised as an expense in the year amounted to £1,276,253 (2015 - £1,359,037).

15 Debtors

	Note	Group 2016 £	Group 2015 £	Company 2016 £	Company 2015 £
Trade debtors		690,479	931,787	270,230	329,090
Receivables from related parties	23	-	-	24,210	48,236
Other receivables		228,648	186,579	194,536	68,508
Prepayments		96,454	109,403	37,495	65,666
Deferred tax assets	10	169,066	11,039	141,126	-
Income tax asset	10	154,554	-	-	-
Total current trade and other receivables		1,339,201	1,238,808	667,597	511,500

16 Creditors

	Note	Group 2016 £	Group 2015 £	Company 2016 £	Company 2015 £
Due within one year					
Loans and borrowings	20	122,288	-	122,288	-
Trade creditors		875,262	634,816	760,132	241,422
Social security and other taxes		-	88,568	16,472	33,055
Outstanding defined contribution pension costs		8,992	8,746	8,992	8,746
Other payables		315,593	342,663	119,078	57,534
Accrued expenses		470,365	225,657	419,603	117,313
Deferred shares		100	100	100	100
		1,792,600	1,300,550	1,446,665	458,170

The holders of the deferred shares are entitled, in priority, to the holders of any other shares to a non-cumulative cash dividend of 5% per annum of the nominal value of each deferred share. On a return of capital, the holders of the deferred shares are entitled to the nominal amount of £1 per share after the Ordinary shares receive the amounts paid up on them together with £20,000,000. Members holding deferred shares are not entitled to receive notice nor attend and speak at any general meeting.

17 Cash and cash equivalents

	Group 2016 £	Group 2015 £	Company 2016 £	Company 2015 £
Cash at bank	268,767	662,167	92,921	163,105
Bank overdrafts	(122,288)	-	(122,288)	-
Cash and cash equivalents in statement of cash flows	146,479	662,167	(29,367)	163,105

18 Share capital

Allotted, called up and fully paid shares

	2016		2015	
	No.	£	No.	£
Ordinary shares of £1 each	100	100	100	100
A Ordinary shares of £0.01 each	499	4.99	499	4.99
	599	105	599	105

The A Ordinary shares carry no voting rights and rank pari passu with Ordinary shares on dividend amounts in excess of £3,000,000. On return of capital, the holders of A Ordinary shares are entitled to a nominal amount of £1 per share after the Ordinary shares receive the amounts paid up on them together with £20,000,000. The holders of the A Ordinary shares are entitled to, subject to the rights of the deferred shareholders, the nominal value of each A share (including premium) plus an annually compounded return of 8% of the subscription price (including premium).

19 Reserves

Share capital
Represents the issued equity share capital of the company.

Retained earnings
Represents cumulative profits or losses, net of dividends paid and other adjustments.

20 Loans and borrowings

	Group		Company	
	2016	2015	2016	2015
	£	£	£	£
Current loans and borrowings				
Bank overdrafts	122,288	-	122,288	-

21 Obligations under leases and hire purchase contracts

Group

Operating leases
The total of future minimum lease payments is as follows:

	2016	2015
	£	£
Not later than one year	85,925	203,818
Later than one year and not later than five years	112,113	163,052
Later than five years	-	1,645
	198,038	368,515

21 Obligations under leases and hire purchase contracts (continued)

The amount of non-cancellable operating lease payments recognised as an expense during the year was £123,277 (2015 - £119,131).

Company

Operating leases
The total of future minimum lease payments is as follows:

	2016 £	2015 £
Not later than one year	24,751	19,412
Later than one year and not later than five years	15,236	21,140
Later than five years	-	832
	39,987	41,384

The amount of non-cancellable operating lease payments recognised as an expense during the year was £42,247 (2015 - £47,279).

22 Pension and other schemes

Defined contribution pension scheme

The group operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the group to the scheme and amounted to £87,025 (2015 - £73,809).

Contributions totalling £8,992 (2015 - £8,746) were payable to the scheme at the end of the year and are included in creditors.

23 Related party transactions

During the year, the group incurred monitoring fees and rechargeable expenses of £102,000 (2015 - £102,000) from EPIC Private Equity LLP, advisor to EPE Special Opportunities plc.

During the year, consultancy costs of £30,546 (2015 - £25,745) were paid to Deerfield Group Limited in respect of services rendered by Robin Palmer, a director of the company. At the balance sheet date the amount owing to Deerfield Group Limited was £2,607 (2015 - £nil).

24 Financial instruments

Group

Categorisation of financial instruments

	2016	2015
	£	£
Financial assets that are debt instruments measured at amortised cost	836,958	1,593,954
Financial liabilities measured at amortised cost	(1,376,275)	(860,473)
	(539,317)	733,481

Items of income, expense, gains or losses

2016	Income £	Expense £	Net gains £	Net losses £
Financial assets measured at amortised cost	114	-	-	-
Financial liabilities measured at amortised cost	-	(758)	-	-
	114	(758)	-	-

2015	Income £	Expense £	Net gains £	Net losses £
Financial assets measured at amortised cost	479	-	-	-
Financial liabilities measured at amortised cost	-	(5,782)	-	-
	479	(5,782)	-	-

The total interest income for financial assets not measured at fair value through profit or loss is £114 (2015 - £479). The total interest expense for financial liabilities not measured at fair value through profit or loss is £(758) (2015 - £(5,782)).

Company

Categorisation of financial instruments

	2016	2015
	£	£
Financial assets that are debt instruments measured at amortised cost	270,230	492,195
Financial assets that are equity instruments measured at cost less impairment	114,815	114,815
Financial liabilities measured at amortised cost	(1,209,102)	(358,735)
	(824,057)	248,275

Items of income, expense, gains or losses

2016	Income £	Expense £	Net gains £	Net losses £
Financial liabilities measured at amortised cost	-	(420)	-	-

24 Financial instruments (continued)

2015	Income £	Expense £	Net gains £	Net losses £
Financial assets measured at amortised cost	479	-	-	-
Financial liabilities measured at amortised cost	-	(5,782)	-	-
	479	(5,782)	-	-

The total interest income for financial assets not measured at fair value through profit or loss is £Nil (2015 - £479). The total interest expense for financial liabilities not measured at fair value through profit or loss is £758 (2015 - £5,782).

25 Parent and ultimate parent undertaking

The ultimate parent company is EPE Special Opportunities plc, a company registered in the Isle of Man.

26 Non adjusting events after the financial period

During the year, the group incurred legal fees of £1,156,800 in relation to a legal dispute with a former manufacturing licensee. The group were successful with their claim in September 2016 with an amount of £778,876 being received to date. Further costs have been awarded but these are currently under appeal with an uncertain outcome. As the judgement was not reached until after the year end, the net amount receivable is considered to be a contingent asset in line with the provisions of FRS 102.