Company Registration No. 208271

FLSMIDTH (UK) LIMITED

Annual Report and Financial Statements

For the year ended 31 December 2016

ANNUAL REPORT AND FINANCIAL STATEMENTS

CONTENTS

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

D B Woodruff (Resigned 3 August 2016)
S A Heley
L MacNamara

COMPANY SECRETARIES

S Harrington
Oakwood Corporate Secretary Limited

TRADING ADDRESS

FLSmidth (UK) Limited
Wemco House
9 Mitchell Court
Castle Mound Way
Central Park
Rugby
Warwickshire
CV23 0UY

REGISTERED OFFICE

c/o Oakwood Corporate Secretary Limited
3rd Floor
1 Ashley Road
Altrincham
Cheshire
WA14 2DT

BANKERS

Danske Bank
75 King William Street
London
EC4N 7DT

SOLICITORS

Hill Hofstetter Limited
Trigen House
Central Boulevard
Blythe Valley Park
Solihull
B90 8AB

AUDITOR

Deloitte LLP
Statutory Auditor
Birmingham, United Kingdom

STRATEGIC REPORT

BUSINESS REVIEW AND FUTURE DEVELOPMENTS

The results for FLSmidth (UK) Limited "the Company" show a pre-tax profit of £6.1 million for the year ended 31 December 2016 (2015: pre-tax profit of £1.1 million).

The directors consider sales order intake, order book, turnover and operating profit from continuing operations as being the principal key performance indicators to assess the progress of the business.

	2015 GBP millions	2016 GBP millions
Sales Order Intake	90.7	40.9
Closing Order Book	65.0	19.8
Turnover from Continued Operations	54.0	87.2
Operating Profit from Continued Operations	1.0	6.2

During the year ended 31 December 2016, the minerals market continued to dominate the order book with 100% of major sales orders taken in the year being in the minerals market (2015: 100%). Enquiries from the minerals market continue to be healthy although continued sanctions on certain operations in the Middle East & Russia will affect both orders and availability of suppliers.

The order intake of the business is characterised by a relatively short turnaround time typically reflected in the turnover within 6 to 18 months. In major projects, the order intake continuously manifests itself in turnover over a period of 24 to 30 months. As at the end of December 2016, major projects in backlog amount to £13.1 million (2015: £54.9 million).

PRINCIPAL RISKS AND UNCERTAINTIES

The Company's activities expose it to a number of financial risks including price risk, credit risk, cash flow risk and liquidity risk. The use of financial derivatives is governed by the group policies of the ultimate parent Company, FLSmidth A/S, who provide written principles on the use of financial derivatives to manage these risks. The Company does not use derivative financial instruments for speculative purposes. All derivative transactions are entered into and managed at group level by FLSmidth's group treasury function, on behalf of the Company.

The directors recognise that there may be risks of a commercial and trade licensing nature associated with companies based in the Middle East as well as Russia and the former CIS countries. Security of payment through the use of established financial instruments and contract net cash positive delivery schedules ensure the Company is exposed to minimal commercial risk. In addition the necessary enquiries are made by the directors to establish and ensure that government trade licenses are obtained where licenses are required, and approvals are obtained for cash transactions as required.

Cash Flow Risk

A large proportion of the Company's business is transacted overseas, and the performance of the business is therefore exposed to significant movements in foreign currency exchange rates. The Company holds forward contracts to hedge exposure to adverse movements in exchange rates.

At 31 December 2016:

Currency Positions	Currency in millions Buy	Rate Range Low	Rate Range High		GBP in millions Sell	Rate Range Low	Rate Range High
EURO	1.9	1.1392	1.1852		1.9	1.1903	1.821
USD	32.1	1.24466	1.543351		77.2	1.24925	1.51469
SEK	11.4	11.26	11.4936		1.7	11.60711	11.61189
ZAR	1.6	17.6003	17.6003				

STRATEGIC REPORT

The net fair value of the contracts at 31 December 2016 is:

	2015 GBP millions	2016 GBP millions
Asset	1.7	1.5
(Liability)	(1.5)	(5.5)
Net Fair Value	0.2	(4.0)

STRATEGIC REPORT (continued)

PRINCIPAL RISKS AND UNCERTAINTIES (continued)

Credit Risk

The Company's financial assets are bank balances and cash, trade and other debtors.

The Company's credit risk is primarily attributable to its trade debtors. The amounts presented in the balance sheet are net of allowances for doubtful debts. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The Company has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

Liquidity risk

There is a minimal liquidity risk. The Company is able to utilise group funds to cover short-term requirements.

Price risk

The Company is exposed to commodity price risk. The Company does not manage its exposure to commodity price risk due to cost benefit considerations.

Approved by the Board of Directors
and signed on behalf of the Board

S A Heley
Director

DIRECTORS' REPORT

The directors present their report and the audited financial statements for the year ended 31 December 2016.

PRINCIPAL ACTIVITIES

FLSmidth (UK) Limited ("the Company") is incorporated in England and Wales and is a private company limited by shares. It is a wholly owned subsidiary of FLSmidth A/S, Copenhagen, Denmark, and operates as part of the group's FLSmidth Minerals Processing division. FLSmidth is a global leader in process equipment and systems for the physical separation and handling of materials. Its products are used by industries worldwide in the production and preparation of minerals, food and industrials. FLSmidth specialises in mechanical systems and processes for separation and beneficiation of minerals and in the crushing, grinding and material handling of minerals. FLSmidth's core technologies include comminution, flotation, sedimentation, media filtration, pressure and vacuum filtration.

The Company is organised to serve the following sectors through its capital and aftermarket sales activities:

- Mineral processing
- Industrial processing and waste water treatment

The Company's principal activities vary with geography and industry, ranging from the supply of stand-alone equipment to turnkey plant delivery including design, construction and project management. The directors are not aware, at the date of this report, of any likely major changes in the Company's activities for the foreseeable future.

DIVIDENDS

The directors do not recommend a dividend for the financial year (2015: £nil).

DIRECTORS

The current directors of the Company, who served throughout the financial year and subsequently unless otherwise stated, are as shown on page 1.

GOING CONCERN

The directors have considered the Company's liquidity risk to be minimal due to its ability to utilise group funds, combined with its level of sales order backlog and future sales prospects and consequently have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and for this reason, the going concern basis continues to be adopted in preparing the financial statements. Following signing of the accounts a letter of support from FLSmidth A/S will be obtained to confirm the minimal liquidity risk statement.

In reaching this conclusion the directors have considered the financial position of the Company and its funding facilities. The directors have also considered the Company's forecasts and associated risks and sensitivities. The directors have good visibility over future projects due to long lead times and for the majority of contracts upfront cash receipts, secure payment effected through financial instruments such as Letters of Credit, or downpayments are required prior to contracts becoming effective and before goods are completed and delivered.

The directors recognise the uncertain economic outlook for the global economy and the particular circumstances relevant to the Company.

POLITICAL AND CHARITABLE DONATIONS

The Company made charitable donations of £3,250 during the year (2015: £3,110). There were no political contributions in either year.

DIRECTORS' REPORT (continued)

STATEMENT OF DISCLOSURE OF INFORMATION TO THE AUDITOR

In the case of each of the persons who are directors of the Company at the date when this report is approved:

- so far as each of the directors is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- each of the directors has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information (as defined) and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Resolutions to appoint Ernst & Young LLP as auditor of the company and to authorise the Audit Committee to determine their remuneration will be proposed at the forthcoming 2017 Annual General Meeting.

Approved by the Board of Directors
and signed on behalf of the Board

S A Heley
Director

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including FRS 101 "Reduced Disclosure Framework". 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; and
- Make judgements and estimates that are reasonable and prudent; and
- State whether applicable accounting standards have been followed; 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 confirm that they have complied with the above requirements in preparing the financial statements.

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 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.

Approved by the Board of Directors
and signed on behalf of the Board

S A Heley
Director
29 September 201~~6~~7

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FLSMIDTH (UK) LIMITED

We have audited the financial statements of FLSmidth (UK) Limited for the year ended 31 December 2016 which comprise the Profit and Loss Account, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 25. 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), including FRS 101 "Reduced Disclosure Framework".

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, 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.

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 any material misstatements in the Strategic Report and the Directors' Report.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters 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.

Jonathan Dodworth

Jonathan Dodworth (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Statutory Auditor
Birmingham, United Kingdom

29 September 2017

PROFIT AND LOSS ACCOUNT
Year ended 31 December 2016

	Note	2016 £'000	2015 £'000
TURNOVER	2	87,245	54,005
Cost of sales		(75,400)	(47,292)
Gross profit		11,845	6,713
Administrative expenses		(5,671)	(5,728)
OPERATING PROFIT		6,174	985
Interest receivable and similar income	5	84	152
Interest payable and similar charges	6	(130)	(39)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	7	6,128	1,098
Tax on profit on ordinary activities	8	(1,229)	(300)
PROFIT FOR THE FINANCIAL YEAR		4,899	798

All activities relate to continuing operations.

STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December 2016

	Note	2016 £'000	2015 £'000
Profit for the year		4,899	798
Items that may be reclassified subsequently to profit or loss:			
Net (loss)/gain arising on changes in fair value of hedging instruments entered into for cash flow hedges	18	(3,701)	411
Income tax relating to items that may be reclassified subsequently to profit and loss		690	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		1,888	1,209

BALANCE SHEET
Year ended 31 December 2016

	Note	£'000	2016 £'000	£'000	2015 £'000
FIXED ASSETS					
Intangible assets	9	260		260	
Tangible assets	10	86		152	
			346		412
CURRENT ASSETS					
Stocks	11	49,978		7,574	
Debtors due within one year	12	30,987		59,932	
Cash at bank		75		148	
Deferred tax	25	690		-	
		81,730		67,654	
CURRENT LIABILITIES					
Trade and other payables	13	(44,517)		(31,976)	
Provisions	15	(1,558)		(294)	
		(46,075)		(32,270)	
NET CURRENT ASSETS			35,655		35,384
TOTAL ASSETS LESS CURRENT LIABILITIES			36,001		35,796
CREDITORS: amounts falling due after more than one year	14		-		(50)
PROVISIONS	15		(1,636)		(3,269)
NET ASSETS			34,365		32,477
CAPITAL AND RESERVES					
Called up share capital	17		5,337		5,337
Profit and loss account			31,787		26,888
Hedging reserve	18		(2,759)		252
SHAREHOLDERS' FUNDS			34,365		32,477

These financial statements were approved by the Board of Directors and authorised for issue on 29 September 2017
Signed on behalf of the Board of Directors

S A Heley - Director

Company Registration number: 208271

STATEMENT OF CHANGES IN EQUITY
Year ended 31 December 2016

	Share Capital £'000	Hedging Reserve £'000	P&L reserve £'000	Total £'000
Balance at 1 January 2015	5,337	(159)	26,090	31,268
Profit for the year	-	-	798	798
Other comprehensive income	-	411	-	411
Total comprehensive income for 2015	5,337	252	26,888	32,477
Gains arising during the period on deferred tax	-	-	-	-
on cash flow hedges	-	-	-	-
Dividends				
Balance at 1 January 2016	5,337	252	26,888	32,477
Profit for the year	-	-	4,899	4,899
Other comprehensive expense	-	(3,701)	-	(3,701)
Total comprehensive income for 2016	5,337	(3,449)	31,787	33,675
Gains arising during the period on deferred tax				
on cash flow hedges	-	690	-	690
Dividends	-	-	-	-
Balance at 31 December 2016	5,337	(2,759)	31,787	34,365

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2016

1. SIGNIFICANT ACCOUNTING POLICIES

General information

FLSmidth (UK) Limited is a company incorporated in the United Kingdom under the Companies Act. The address of the registered office is given on page 1. The nature of the company's operations and its principal activities are set out in the Directors report on page 4.

The company is a wholly owned subsidiary of FLSmidth Dorr-Oliver Eimco Denmark ApS, incorporated in Denmark. The ultimate parent company and ultimate controlling party is FLSmidth & Co A/S, a company incorporated in Denmark. This is the smallest and largest group into which the results of the company are consolidated.

Copies of the financial statements of the above companies can be obtained from the trading office address shown on page 1.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the company operates.

These financial statements are separate financial statements. The company is exempt from the preparation of consolidated financial statements, because it is included in the group financial statements of FLSmidth & Co. A/S. The group financial statements of FLSmidth & Co. A/S are available to the public and can be obtained as set out in note 23.

Basis of Preparation

The company meets the definition of a qualifying entity under FRS 101 (Financial Reporting Standard 101) issued by the Financial Reporting Council. Accordingly, these financial statements have been prepared in accordance with FRS 101 as issued by the Financial reporting Council. The financial statements have therefore been prepared in accordance with FRS 101 (Financial Reporting Standard 101) 'Reduced Disclosure Framework' as issued by the Financial Reporting Council.

As permitted by FRS 101, the company has taken advantage of the disclosure exemptions available under that standard in relation to share-based payment, financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash-flow statement, standards not yet effective, impairment of assets and related party transactions.

Where required, equivalent disclosures are given in the group financial statements of FLSmidth & Co. A/S. The group financial statements of FLSmidth & Co. A/S are available to the public and can be obtained as set out in note 23.

The annual financial statements have been prepared on the historical cost basis, except for certain financial assets and liabilities which are carried at fair value or amortised cost as appropriate. Historical cost is generally based on the fair value of the consideration given in exchange for the assets.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies adopted are set out below.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
Year ended 31 December 2016

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Going concern

The directors have considered the company's minimal liquidity risk due to its ability to utilise group funds, combined with its level of sales order backlog and future sales prospects and consequently have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future and for this reason, the going concern basis continues to be adopted in preparing the financial statements.

In reaching this conclusion the directors have considered the financial position of the company and its funding facilities. The directors have also considered the company's forecasts and associated risks and sensitivities. The directors have good visibility over future projects due to long lead times and for the majority of contracts upfront cash receipts, secure payment effected through financial instruments such as Letters of Credit, or down payments are required prior to contracts becoming effective and before goods are completed and delivered.

The directors recognise the uncertain economic outlook for the global economy and the particular circumstances relevant to the company.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales-related taxes.

Sale of goods

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

- the Company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- 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 economic benefits associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract. The stage of completion of the contract is determined as follows:

- installation fees are recognised by reference to the stage of completion of the installation;
- servicing fees included in the price of products sold are recognised by reference to the proportion of the total cost of providing the service for the product sold, taking into account historical trends in the number of services actually provided on past goods sold; and
- revenue from time and material contracts is recognised at the contractual rates as labour hours are delivered and direct expenses incurred.

The Company's policy for recognition of revenue from construction contracts is described below.

Construction contracts

Where the outcome of a contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the balance sheet date. This is normally measured by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

Where the outcome of a contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred where it is probable they will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
Year ended 31 December 2016

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Construction contracts (continued)

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately. When contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as the amounts due to customers for contract work. Amounts received before the related work is performed are included in the balance sheet, as a liability, as advances received. Amounts billed for work performed but not yet paid by the customer are included in the balance sheet under debtors.

Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts over the expected life of the financial asset to that asset's net carrying amount.

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. All other leases are classified as operating leases.

The company as lessee

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Foreign currencies

The financial statements are presented in pounds sterling, which is the currency of the primary economic environment in which the Company operates (its functional currency).

Transactions in currencies other than the company's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings; and
- exchange differences on transactions entered into to hedge certain foreign currency risks (see below under financial instruments / hedge accounting).

Operating profit

Operating profit is stated after charging restructuring costs but before investment income and finance costs.

Retirement benefit costs

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due. Payments made to state-managed retirement benefit schemes are dealt with as payments to defined contribution schemes where the company's obligations under the schemes are equivalent to those arising in a defined contribution retirement benefit scheme.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Goodwill and other intangible assets

Business combinations and goodwill

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values of assets given and liabilities incurred or assumed by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in the income statement as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS 12 income Taxes and IAS 19 Employee Benefits (revised) respectively; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree over the net of the identifiable assets acquired and the liabilities assumed at the acquisition date. If, after reassessment, the net of the identifiable assets acquired and liabilities assumed at the acquisition date exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree, the excess is recognised immediately in the income statement as a bargain purchase.

The subsequent accounting for changes in the fair value of contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not re-measured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is re-measured at subsequent reporting dales, at fair value, with the corresponding gain or loss being recognised in the income statement.

Goodwill is not amortised, but is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Property, plant and equipment

Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the balance sheet at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Freehold land is not depreciated.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives, using the straight-line method, on the following bases:

Leasehold improvements	-	5-10 years
Motor vehicles and equipment	-	3-10 years

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, over the term of the relevant lease.

The gain or loss arising on the disposal or scrappage of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in income.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
Year ended 31 December 2016

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of tangible and intangible assets

At each balance sheet date, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs. An intangible asset with an indefinite useful life is tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Financial instruments

Financial assets and financial liabilities are recognised in the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

<u>Financial Assets</u>

All financial assets are recognised and recognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
Year ended 31 December 2016

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Financial liabilities and equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item in the profit and loss account.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
Year ended 31 December 2016

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Other financial liabilities (continued)

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Derivative financial instruments

The Company enters into derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk, including foreign exchange forward contracts. The company uses standard quantum/risk methodology to calculate market values utilising Danish National Bank fixings for calculating foreign exchange market values and Bloomberg rates for live deals.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. The Company designates certain derivatives as either hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedges), hedges of highly probable forecast transactions or hedges of foreign currency risk of firm commitments (cash flow hedges).

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. A derivative is presented as a current asset due after one year or a creditor due after more than one year if the remaining maturity of the instrument is more than 12 months and it is not expected to be realized or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Hedge accounting

The Company designates certain hedging instruments, which include derivatives, embedded derivatives and non-derivatives in respect of foreign currency risk, as either fair value hedges or cash flow hedges. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

At the inception of the hedge relationship, the entity documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Company documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the 'other gains and losses' line item.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item is recognised in profit or loss, in the same line of the profit and loss account as the recognised hedged item. However, when the forecast transaction that is hedged results in the recognition of a nonfinancial asset or a non-financial liability, the gains and losses previously accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

Hedge accounting is discontinued when the Company revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any gain or loss recognised in other comprehensive income at that time is accumulated in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

Warranties

NOTES TO THE FINANCIAL STATEMENTS (Continued)
Year ended 31 December 2016

Provisions for the expected cost of warranty obligations under local sale of goods legislation are recognised at the date of sale of the relevant products, at the directors' best estimate of the expenditure required to settle the Company's obligation.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Onerous contracts

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Company has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described above, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent 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.

Assessments and estimates were made regarding the following key items;

- Revenue
- Work in progress
- Warranties and provisions
- Trade receivables

The revenue and work in progress estimates arise from construction contracts revenue recognition on a stage of completion basis (see page 13) where the total cost of the contract is continually reviewed & updated. These estimates for revenue & WIP at 31 December 2016 total £90.1m (2015: £44.7m). Warranty provisions are set by contract in line with both historical data and ongoing activity and total £3.2m at 31 Dec 206 (2015: £3.6m) whilst provisions are set and updated for specific known contractual exposures which at 31 December 2016 were estimated at £4.1m (2015: £6.2m). Trade Receivables are continually reviewed for collectability and provided accordingly resulting in a bad debt provision at 31 December 2016 of £0.2m (2015: £0.7m).

There is a probability that the estimates and assessments will bring about an adjustment in the value of the assets and liabilities in future financial years.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
Year ended 31 December 2016

2. TURNOVER

The turnover and profit before taxation are attributable to the one principal activity of the Company, being revenue from construction contracts.

The analysis of turnover by geographical market is as follows:

	2016 £'000	2015 £'000
Europe	81,021	43,679
USA	1	14
Asia & Middle East	5,202	9,469
Rest of the World	1,021	843
	87,245	54,005
Interest receivable and similar income (note 5)	84	152
Total revenue	87,329	54,157

Sale of Goods	83,342	50,611
Services	3,903	3,394
Interest receivable and similar income	84	152
Total revenue	87,329	54,157

3. REMUNERATION OF DIRECTORS

	2016 £'000	2015 £'000
Directors' emoluments	477	460
Company contribution to money purchase pension scheme	56	111

Retirement benefits are accruing to the following number of directors under

	Number	Number
Money purchase schemes	2	3

The highest paid director received remuneration of £197,000 (2015: £209,000) and pension contributions of £26,000 (2015: £47,000) were made by the company. Of the directors who served during the current and prior financial year all were remunerated through FLSmidth (UK) Limited

NOTES TO THE FINANCIAL STATEMENTS (Continued)
Year ended 31 December 2016

4. STAFF COSTS

	2016 £'000	2015 £'000
Staff costs during the year (including directors)		
Wages and salaries	2,322	2,119
Social security costs	280	242
Pension costs	238	245
	2,840	2,606

The average number of employees (including directors) during the current and prior financial year were as follows:

	2016 Number	2015 Number
Engineering	8	8
Sales and administration	15	16
Manufacturing	12	12
	35	36

5. INTEREST RECEIVABLE AND SIMILAR INCOME

	2016 £'000	2015 £'000
Bank interest receivable	-	1
Interest receivable from group undertakings	84	151
	84	152

6. INTEREST PAYABLE AND SIMILAR CHARGES

	2016 £'000	2015 £'000
Bank charges	17	16
Exchange loss on foreign currency intra group loans	113	23
	130	39

NOTES TO THE FINANCIAL STATEMENTS (Continued)
Year ended 31 December 2016

7. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	2016 £'000	2015 £'000
Profit on ordinary activities before taxation is stated after charging		
Depreciation and other amounts written off under tangible fixed assets	66	32
Fees payable to the company's auditor for the audit of the company's annual financial statements	43	55
Operating lease payments	100	100
Staff costs	2,840	2,606
Foreign exchange (gain)/loss	(23)	233

	2016 £'000	2015 £'000
The analysis of auditor's remuneration is as follows		
Fees payable to the company's auditor for the audit of the company's annual financial statements	43	55
Fees payable to the company's auditor for tax services	9	7
Fees payable to the company's auditor for other services	20	1
	72	63

8. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2016 £'000	2015 £'000
Current taxation		
United Kingdom corporation tax on income for the year of 20 % (2015: 20.25%):	(1,229)	(300)
Total tax charge in the year	(1,229)	(300)

The difference between the total taxation shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows:

	2016 £'000	2015 £'000
Profit on ordinary activities before tax	6,128	1,098
Tax on profit on ordinary activities before tax at 20 % (2015: 20.25%)	(1,226)	(222)
Factors affecting charge for the year		
Expenses not deductible and other short term differences	(3)	(78)
Total tax charge for the year	(1,229)	(300)

During the year the main rate of corporation tax was 20% (effective from 1 April 2015). The UK corporation tax expense within these financial statements has been provided for at the rate of 20% (2015: 20.25%) the blended rate for the accounting period. On 14 July 2015 the Government enacted a reduction in the main rate of Corporation Tax to 19% (effective 1 April 2017) and within the 2016 Budget to 17% (effective 1 April 2020)..

NOTES TO THE FINANCIAL STATEMENTS (Continued)
Year ended 31 December 2016

In addition to the amount charged to the profit and loss account, the following amounts relating to tax have been recognised in other comprehensive income:

	2016 £'000	2015 £'000
Current tax:		
Items that will not be reclassified subsequently to profit or loss	(1,229)	(300)
Deferred Tax:		
Cash flow hedges:		
Gains/ (Losses) arising during the period	690	-
Less: reclassification adjustments for gains / (losses) included in profit	-	-
Total income tax recognised in other comprehensive income	(539)	(300)

9. INTANGIBLE FIXED ASSETS – GOODWILL

	Goodwill £'000
Cost	
At 1 January 2016 and 31 December 2016	260
Provision for impairment	
At 1 January 2016 and 31 December 2016	-
Net book value	
At 31 December 2016 and 31 December 2015	260

10. TANGIBLE FIXED ASSETS

	Leasehold improvements £'000	Motor vehicles and equipment £'000	Total £'000
Cost			
At 1 January 2016 and 31 December 2016	159	350	509
Depreciation			
At 1 January 2016	50	307	357
Charge for the year	39	27	66
At 31 December 2016	89	334	423
Net book value			
At 31 December 2016	70	16	86
At 31 December 2015	109	43	152

NOTES TO THE FINANCIAL STATEMENTS (Continued)
Year ended 31 December 2016

11. STOCKS

	2016 £'000	2015 £'000
Finished stock	220	118
Work in progress	49,758	7,456
	49,978	7,574

During 2016 £7k was written off as obsolete stock (2015: £4k) and £32k recognised as a cost to the P&L as a stock obsolescence provision (2015 £21k).

There is no material difference between the balance sheet value of stocks and their replacement cost.

12. DEBTORS

	2016 £'000	2015 £'000
Trade debtors	19,923	11,486
Amounts owed from group undertakings	8,970	43,968
Other taxes and social security receivable	140	178
Prepayments, other debtors and accrued income	452	4,072
Financial instruments (note 19)	1,502	228
	30,987	59,932

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2016 £'000	2015 £'000
Payments received on account	1,058	7,884
Trade creditors	14,023	5,994
Amounts owed to group undertakings	18,976	9,762
Other taxes and social security	314	99
Corporation tax payable	487	148
Accruals	4,143	8,089
Financial instruments (note 19)	5,516	-
	44,517	31,976

14. CREDITORS: AMOUNTS FALLING DUE BEYOND ONE YEAR

	2016 £'000	2015 £'000
Accruals	-	50
	-	50

NOTES TO THE FINANCIAL STATEMENTS (Continued)
Year ended 31 December 2016

15. PROVISIONS FOR LIABILITIES

	Provision for warranty £'000
At beginning of the year	3,563
Charge to the profit and loss account for the year	573
Utilisation	(942)
At the end of the year	3,194
Due within 1 year	1,558
Due beyond 1 year	1,636
Total provision	3,194

The warranty provision is expected to be utilised over an estimated continual period of 42 months through to June 2020. The provision covers contractual warranty liabilities to clients based on historical expenditure data and relates to both completed projects still under FLSmidth (UK) Ltd warranty and to undelivered projects in line with sales recognition to date.

16. CONSTRUCTION CONTRACTS

	2016 £'000	2015 £'000
Contracts in progress at the balance sheet date:		
Amounts due from contract customers included in debtors	19,003	11,864
Amounts due to contract customers included in trade and other creditors	(27,633)	(9,705)
	(8,630)	2,159
Contract costs incurred plus recognised profits less recognised losses to date	95,645	44,569
Less: progress billings	(46,879)	(45,055)
	48,766	(486)

At 31 December 2016, retentions held by customers for contract work amounted to £1,642,000 (2015: £2,377,000). Advances received from customers for contract work amounted to £46,879,000 (2015: £45,055,000).

At 31 December 2016, amounts of £nil (2015: £nil) included in debtors and arising from construction contracts are due for settlement after more than 12 months.

17. CALLED UP SHARE CAPITAL

	2016 £'000	2015 £'000
Authorised, allotted, issued and fully paid		
5,336,996 ordinary shares of £1 each	5,337	5,337

NOTES TO THE FINANCIAL STATEMENTS (Continued)
Year ended 31 December 2016

18. HEDGING RESERVE

The reserve represents the cumulative gains and losses on hedging instruments in cash flow hedges. The cumulative deferred gain or loss on the hedging instrument is recognised in profit or loss only when the hedge transaction impacts the profit or loss or is included as a basis adjustment to the non-financial hedged item, consistent with the applicable accounting policy.

	Hedging reserve £'000
Balance as at 31 December 2015	252
Losses recognised in other comprehensive income	(3,701)
Gains arising during the period on deferred tax on cash flow hedges	690
Balance as at 31 December 2016	(2,759)

19. FINANCIAL INSTRUMENTS

	31 December 2016 £'000	31 December 2015 £'000
Derivatives carried at fair value:		
Forward foreign currency contracts	(4,014)	228

Forward contracts and options

A large proportion of the Company's business is transacted overseas, and the performance of the business is therefore exposed to significant movements in foreign currency exchange rates. The Company holds forward contracts to hedge exposure to adverse movements in exchange rates.

As at December 31st 2016:

Currency Positions	Currency in millions Buy	Rate Range Low	Rate Range High		GBP in millions Sell	Rate Range Low	Rate Range High
EURO	1.9	1.1392	1.1852		1.9	1.1903	1.821
USD	32.1	1.24466	1.543351		77.2	1.24925	1.51469
SEK	11.4	11.26	11.4936		1.7	11.60711	11.61189
ZAR	1.6	17.6003	17.6003				

NOTES TO THE FINANCIAL STATEMENTS (Continued)
Year ended 31 December 2016

18. HEDGING RESERVE

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ZAR	1.6	17.6003	17.6003				

NOTES TO THE FINANCIAL STATEMENTS (Continued)
Year ended 31 December 2016

As at December 31st 2015:

Currency Positions	Currency in millions Buy	Rate Range Low	Rate Range High		GBP in millions Sell	Rate Range Low	Rate Range High
EURO	1.2	1.3701	1.4169		4.5	1.36071	1.4111
USD	74.8	1.5056	1.5469		62.0	1.4891	1.5478
SEK	3.0	12.8698	12.9031		3.1	12.5226	12.7197
SAR	0.6	5.6885	5.6885				
ZAR	7.5	18.4645	23.2948				

NOTES TO THE FINANCIAL STATEMENTS (Continued)
Year ended 31 December 2016

20. FINANCIAL COMMITMENTS

At the balance sheet date, the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases relating to land and buildings, which fall due as follows:

	2016 £'000	2015 £'000
Within one year	116	89
Within two to five years	463	358
Within six to ten years	261	313
	840	760

21. CONTINGENT LIABILITIES

At 31 December 2016 the Company had commitments under outstanding bonds and guarantees of £26,090,000 (2015: £25,063,000).

22. RELATED PARTY DISCLOSURES

The Company has taken the exemption granted under FRS 101 in respect of disclosure of transactions between 100% owned subsidiaries within the same group.

Amounts owed from group companies are trading balances, which are interest free and repayable on demand, with the exception of £7,606,000 (2015: £43,317,000) due from FLSmidth & Co A/S. as part of the group cash pool arrangement, the balance is repayable on demand and interest is charged at a commercial rate.

Amounts owed to group companies are trading balances, which are interest free and repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
Year ended 31 December 2016

23. ULTIMATE PARENT COMPANY

The company is a wholly owned subsidiary of FLSmidth Dorr-Oliver Eimco Denmark ApS, incorporated in Denmark. The ultimate parent company and ultimate controlling party is FLSmidth & Co A/S, a company incorporated in Denmark. This is the smallest and largest group into which the results of the company are consolidated.

Copies of the financial statements of the above companies can be obtained from the trading office address shown on page 1.

24. DIVIDENDS

No dividends were paid during the financial year.

25. DEFERRED TAX

The following are the major deferred tax liabilities and assets recognised by the company and movements thereon during the current and prior reporting period:

	Revaluation of financial assets £'000	**Total** £'000
At 1st January 2015	-	-
Charge to profit or loss	-	-
Charge to other comprehensive income	-	-
As at 1st January 2016	-	-
Charge to profit or loss	-	-
Charge to other comprehensive income	690	690
As at 31st December 2016	690	690

Deferred tax assets and liabilities are offset where the company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	2016 £'000	2015 £'000
Deferred tax liabilities	-	-
Deferred tax assets	690	-
Total deferred tax asset	690	-

At the balance sheet date the company has recognised a deferred tax asset of £690k against future profits.