COMPANY REGISTRATION NUMBER: 02652113

Francis & Lewis International Limited

Financial Statements

31 December 2017

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COMPANIES HOUSE

THOMAS WESTCOTT
Chartered Accountants & statutory auditor
26-28 Southernhay East
Exeter
Devon
UK
EX1 1NS

Francis & Lewis International Limited

Financial Statements

Year ended 31 December 2017

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Francis & Lewis International Limited

Strategic Report

Year ended 31 December 2017

FLI's business is the design, manufacture and installation of steel structures for rail, telecommunications and highways.

An extension to the Greater West Rail Electrification Project was won but resulting orders for its overhead line support steelwork were less than we expected. The demand for highway sign supports was also low. However, sales in telecommunications were high. Compared to recent years, FLI has manufactured more towers and artificial trees (used as masts). The total order level is lower than our capacity, causing sales and profitability to be lower than we desire.

An extension to the Waterwells factory is being considered by the owner. Planning consent was obtained, and the design was ready for tender at the end of 2017. A larger factory will combine FLI's two existing factories and improve efficiency. FLI is considering taking a lease for the extension.

The 2017 highlights were:

Profit: The pre-tax margin was 4.1% (2016: 5.5%)

Sales: 2017: £8.1m (2016: £7.7m)

Projects: FLI is a main supplier of rail electrification steelwork on the Great Western line and supplied cabinet and refuge platforms on Cross Rail. FLI won two telecommunications framework contracts, one for the emergency services and the other for increasing capacity of the mobile phone operator networks. FLI designed, manufactured and installed structures to support a leisure climbing attraction in a city park

R&D: Expenditure was £198k (2016: £179k). The focus has been on a radar monopole and on leisure climbing structures, as well as improvements to rail equipment platforms and piles.

Exports: FLI sent its products to Ireland and Nigeria.

Health & Safety: Time lost to accidents was 136 days due to 3 RIDDOR accidents (2016: 60.5 days). Successful trials were carried out on a new quick stopping grinder. These new grinders are replacing standard grinders which free wheel before stopping so are less safe. Procedures are accredited to BS OHSAS 18001

Environment: Procedures are accredited to ISO14001.

Training: Expenditure on external training was £32k (2016: £46k). 122.5 days of safety training was provided, including a Mind Safety refresher. We are working harder on human behaviour and not to become system obsessed.

Quality: The reliability of manufactured pieces was 99.90% (2016: 99.95%). Procedures are certified to ISO 9001.

Investment: This amounted to £168k (2016: £160k). Main items were fork-lifts and product rotators.

Staff: The average number of staff was 74 (2016: 72).

Bonus: A bonus of 2% of basic salary was paid to staff. (2016: 5.1%).

Financial Risk Management

The company's activities expose it to financial risks in prices, credit, cash flow and liquidity.

Price risk

The company is exposed to unpredictable steel cost changes. We usually supply customers on short delivery dates so that steel prices can be reasonably estimated. When the contract delivery date is long we consider the expected fluctuations in steel prices in our estimates as well as the preventative measure of purchasing steel in advance. The volume of our sales and the prices for our products depend on growth and decline of the markets we are in. FLI used to be wholly in the telecommunication tower market but now we are established suppliers in rail and highway markets. This diversification gives us strength as we are no longer dependent on a single market.

Credit and cash flow risk

The company's principal financial assets are trade and other receivables. The company's credit risk is primarily attributable to its trade receivables. The company selects customers that have low credit risk. The company was not affected by the Carillion liquidation.

Liquidity risk

The company maintains cash balances and therefore liquidity risks are negligible.

This report was approved by the board of directors on 27 March 2018 and signed on behalf of the board by:

Mr W J Haley
Director

Registered office:
The Bellcombe Works
East Brent
Highbridge
Somerset
TA9 4DB

Francis & Lewis International Limited

Directors' Report

Year ended 31 December 2017

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

Directors

The directors who served the company during the year were as follows:

Mr W J Haley
Mrs J Garbutt

Dividends

Particulars of recommended dividends are detailed in note 13 to the financial statements.

Disclosure of information in the strategic report

The company has chosen in accordance with section 414C(11) of the Companies Act 2006(Strategic Report and Directors' Report Regulations 2013 to set out in the company's strategic report information required by schedule 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008.

Directors' responsibilities statement

The directors are responsible for preparing the strategic report, 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). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the profit or loss of the company for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

Auditor

Each of the persons who is a director at the date of approval of this report confirms that:

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

This report was approved by the board of directors on 27 March 2018 and signed on behalf of the board by:

Mr W J Haley
Director

Registered office:
The Bellcombe Works
East Brent
Highbridge
Somerset
TA9 4DB

Opinion

We have audited the financial statements of Francis & Lewis International Limited (the 'company') for the year ended 31 December 2017 which comprise the statement of comprehensive income, statement of financial position, statement of changes in equity, statement of cash flows and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's member, 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 member 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 member as a body, for our audit work, for this report, or for the opinions we have formed.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

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

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

Responsibilities of directors

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

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Thomas Westcott

Shona Godefroy (Senior Statutory Auditor)

For and on behalf of
Thomas Westcott
Chartered Accountants & statutory auditor
26-28 Southernhay East
Exeter
Devon
UK
EX1 1NS

27 March 2018

Francis & Lewis International Limited

Statement of Comprehensive Income

Year ended 31 December 2017

	Note	2017 £	2016 £
Turnover	**5**	**8,067,177**	7,679,708
Cost of sales		**6,666,455**	6,254,681
Gross profit		**1,400,722**	1,425,027
Administrative expenses		**1,062,877**	1,011,757
Operating profit	**6**	**337,845**	413,270
Interest receivable	**10**	**316**	83
Interest payable	**11**	**–**	61
Profit before taxation		**338,161**	413,292
Taxation on ordinary activities	**12**	**12,823**	8,808
Profit for the financial year and total comprehensive income		**325,338**	404,484

All the activities of the company are from continuing operations.

The notes on pages 13 to 24 form part of these financial statements.

Francis & Lewis International Limited

Statement of Financial Position

31 December 2017

	Note	2017 £	2017 £	2016 £
Fixed assets				
Tangible assets	15		687,887	683,226
Current assets				
Stocks	16	774,211		674,889
Debtors	17	1,680,913		2,487,468
Cash at bank and in hand		1,643,981		1,358,230
		4,099,105		4,520,587
Creditors: amounts falling due within one year	18	730,549		986,114
Net current assets			3,368,556	3,534,473
Total assets less current liabilities			4,056,443	4,217,699
Provisions	19		104,661	91,255
Net assets			3,951,782	4,126,444
Capital and reserves				
Called up share capital	22		20,000	20,000
Profit and loss account	23		3,931,782	4,106,444
Shareholder funds			3,951,782	4,126,444

These financial statements were approved by the board of directors and authorised for issue on 27 March 2018, and are signed on behalf of the board by:

W J Haley

Mr W J Haley
Director

Company registration number: 02652113

The notes on pages 13 to 24 form part of these financial statements.

Francis & Lewis International Limited

Statement of Changes in Equity

Year ended 31 December 2017

	Note	Called up share capital £	Profit and loss account £	**Total £**
At 1 January 2016		20,000	4,201,960	4,221,960
Profit for the year			404,484	404,484
Total comprehensive income for the year		–	404,484	404,484
Dividends paid and payable	13	–	(500,000)	(500,000)
Total investments by and distributions to owners		–	(500,000)	(500,000)
At 31 December 2016		20,000	4,106,444	**4,126,444**
Profit for the year			325,338	**325,338**
Total comprehensive income for the year		–	325,338	**325,338**
Dividends paid and payable	13	–	(500,000)	**(500,000)**
Total investments by and distributions to owners		–	(500,000)	**(500,000)**
At 31 December 2017		20,000	3,931,782	**3,951,782**

The notes on pages 13 to 24 form part of these financial statements.

Francis & Lewis International Limited

Statement of Cash Flows

Year ended 31 December 2017

	2017	2016
	£	£
Cash flows from operating activities		
Profit for the financial year	**325,338**	404,484
Adjustments for:		
Depreciation of tangible assets	**171,586**	154,318
Interest receivable	**(316)**	(83)
Interest payable	**–**	61
Gains on disposal of tangible assets	**(4,188)**	(7,670)
Taxation on ordinary activities	**12,823**	8,808
Accrued income	**(15,890)**	(384,880)
Changes in:		
Stocks	**(99,322)**	(306,511)
Trade and other debtors	**806,555**	(1,009,330)
Trade and other creditors	**(235,675)**	371,762
Cash generated from operations	**960,911**	(769,041)
Interest paid	**–**	(61)
Interest received	**316**	83
Tax received/(paid)	**583**	(202,934)
Net cash from/(used in) operating activities	**961,810**	(971,953)
Cash flows from investing activities		
Purchase of tangible assets	**(177,709)**	(159,839)
Proceeds from sale of tangible assets	**5,650**	16,615
Net cash used in investing activities	**(172,059)**	(143,224)
Cash flows from financing activities		
Proceeds from loans from group undertakings	**(4,000)**	4,000
Dividends paid	**(500,000)**	(500,000)
Net cash used in financing activities	**(504,000)**	(496,000)
Net increase/(decrease) in cash and cash equivalents	**285,751**	(1,611,177)
Cash and cash equivalents at beginning of year	**1,358,230**	2,969,407
Cash and cash equivalents at end of year	**1,643,981**	1,358,230

The notes on pages 13 to 24 form part of these financial statements.

1. General information

The company is a private company limited by shares, registered in England and Wales. The address of the registered office is The Bellcombe Works, East Brent, Highbridge, Somerset, TA9 4DB.

2. Statement of compliance

These financial statements have been prepared in compliance with FRS 102, 'The Financial Reporting Standard applicable in the UK and the Republic of Ireland'.

3. Description of activities

Francis and Lewis International Limited ("the company") designs, manufactures and installs steel structures for rail, telecommunications and highways. The company is based in the UK.

4. Accounting policies

Basis of preparation

The financial statements are prepared in accordance with UK GAAP. The financial statements are prepared in Sterling, which is the functional currency of the entity.

Research and development

Expenditure on research and development is recognised as an expense when it is incurred.

Financial instruments

A financial asset or a financial liability is recognised only when the entity becomes a party to the contractual provisions of the instrument. Basic financial instruments are initially recognised at the transaction price, unless the arrangement constitutes a financing transaction, where it is recognised at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets that are measured at cost or amortised cost are reviewed for objective evidence of impairment at the end of each reporting date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss immediately.

For all equity instruments regardless of significance, and other financial assets that are individually significant, these are assessed individually for impairment. Other financial assets are either assessed individually or grouped on the basis of similar credit risk characteristics.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand, demand deposits with banks and other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. In the statement of financial position, bank overdrafts are shown within borrowing or current liabilities.

Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported. These estimates and judgements are continually reviewed and are based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Significant judgements

The judgements (apart from those involving estimations) that management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in the financial statements are as follows:

Determine whether leases entered into by the company either as a lessor or as a lessee are operating leases or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.

Determine whether there are indicators of impairment of the company's tangible and intangible assets, including goodwill. Factors taken into consideration in reaching a decision include the economic viability and expected future financial performance of an asset.

Key sources of estimation uncertainty

Accounting estimates and assumptions are made concerning the future and, by their nature, will rarely equal the related actual outcome. The key assumptions and other sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:
Tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

Revenue recognition

Turnover is measured at the fair value of the consideration received or receivable for goods supplied and services rendered, net of discounts and Value Added Tax.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership have transferred to the buyer (usually on despatch of the goods); the amount of revenue can be measured reliably; it is probable that the associated economic benefits will flow to the entity; and the costs incurred or to be incurred in respect of the transactions can be measured reliably.

Revenue from construction contracts is recognised when it can be estimated reliably by reference to the stage of completion of the contract activity. When the outcome cannot be reliably estimated, revenue is recognised only to the extent that expenses recognised are recoverable.

Interest income is recognised as interest accrues using the effective interest method.

Dividends are recognised in the parent company accounts when the company's right to receive payment is established.

4. Accounting policies *(continued)*

Taxation

The tax expense for the period comprises current and deferred tax.

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.

Deferred taxation is provided using the liability method on all timing differences which are expected to reverse in the future without being replaced, calculated at the rate at which it is anticipated the timing differences will reverse. Advance corporation tax which is expected to be recoverable in the future is deducted from the deferred taxation balance.

The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Foreign currencies

Foreign currency transactions are initially recorded in the functional currency, by applying the spot exchange rate as at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate ruling at the reporting date, with any gains or losses being taken to the profit and loss account.

Operating leases

Lease payments are recognised as an expense over the lease term on a straight-line basis. The aggregate benefit of lease incentives is recognised as a reduction to expense over the lease term, on a straight-line basis.

Goodwill

Positive purchased goodwill arising on acquisitions is capitalised, classified as an asset on the Balance Sheet and amortised over its estimated useful life up to a maximum of 10 years. This length of time is presumed to be the maximum useful life of purchased goodwill because it is difficult to make projections beyond this period. Goodwill is reviewed for impairment at the end of the first full financial year following each acquisition and subsequently as and when necessary if circumstances emerge that indicate that the carrying value may not be recoverable.

Amortisation

Amortisation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful life of that asset as follows:

Goodwill	-	straight line over 10 years

If there is an indication that there has been a significant change in amortisation rate, useful life or residual value of an intangible asset, the amortisation is revised prospectively to reflect the new estimates.

4. Accounting policies *(continued)*

Tangible assets

Tangible assets are initially recorded at cost, and subsequently stated at cost less any accumulated depreciation and impairment losses.

Depreciation

Depreciation is calculated so as to write off the cost or valuation of an asset, less its residual value, over the useful economic life of that asset as follows:

Plant and machinery	-	20% Reducing balance
Fixtures and fittings	-	15% to 40% Reducing balance
Motor vehicles	-	25% Reducing balance

Impairment of fixed assets

A review for indicators of impairment is carried out at each reporting date, with the recoverable amount being estimated where such indicators exist. Where the carrying value exceeds the recoverable amount, the asset is impaired accordingly. Prior impairments are also reviewed for possible reversal at each reporting date.

For the purposes of impairment testing, when it is not possible to estimate the recoverable amount of an individual asset, an estimate is made of the recoverable amount of the cash-generating unit to which the asset belongs. The cash-generating unit is the smallest identifiable group of assets that includes the asset and generates cash inflows that largely independent of the cash inflows from other assets or groups of assets.

For impairment testing of goodwill, the goodwill acquired in a business combination is, from the acquisition date, allocated to each of the cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the company are assigned to those units.

Stocks

Stocks are measured at the lower of cost and estimated selling price less costs to complete and sell. Cost includes all costs of purchase, costs of conversion and other costs incurred in bringing the stock to its present location and condition.

Provisions

Provisions are recognised when the entity has an obligation at the reporting date as a result of a past event, it is probable that the entity will be required to transfer economic benefits in settlement and the amount of the obligation can be estimated reliably. Provisions are recognised as a liability in the statement of financial position and the amount of the provision as an expense.

4. Accounting policies *(continued)*

Provisions *(continued)*

Provisions are initially measured at the best estimate of the amount required to settle the obligation at the reporting date and subsequently reviewed at each reporting date and adjusted to reflect the current best estimate of the amount that would be required to settle the obligation. Any adjustments to the amounts previously recognised are recognised in profit or loss unless the provision was originally recognised as part of the cost of an asset. When a provision is measured at the present value of the amount expected to be required to settle the obligation, the unwinding of the discount is recognised as a finance cost in profit or loss in the period it arises.

Financial instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities.

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities. Financial liabilities are presented as such in the balance sheet. Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability.

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited direct to equity.

Defined contribution plans

Contributions to defined contribution plans are recognised as an expense in the period in which the related service is provided. Prepaid contributions are recognised as an asset to the extent that the prepayment will lead to a reduction in future payments or a cash refund.

When contributions are not expected to be settled wholly within 12 months of the end of the reporting date in which the employees render the related service, the liability is measured on a discounted present value basis. The unwinding of the discount is recognised as a finance cost in profit or loss in the period in which it arises.

5. Turnover

Turnover arises from:

	2017	2016
	£	£
Sale of goods	**8,067,177**	7,679,708

5. Turnover *(continued)*

The turnover is attributable to the one principal activity of the company. An analysis of turnover by the geographical markets that substantially differ from each other is given below:

	2017	2016
	£	£
United Kingdom	**8,022,280**	7,574,825
Overseas	**44,897**	104,883
	8,067,177	7,679,708

6. Operating profit

Operating profit or loss is stated after charging:

	2017	2016
	£	£
Depreciation of tangible assets	**171,586**	154,318
Gains on disposal of tangible assets	**(4,188)**	(7,670)
Impairment of trade debtors	**–**	13
Foreign exchange differences	**(2,757)**	(14,069)
Operating lease payments recognised as an expense	**130,750**	137,500
Research and development expenditure written off	**197,983**	178,995

7. Auditor's remuneration

	2017	2016
	£	£
Fees payable for the audit of the financial statements	**6,263**	6,091

8. Particulars of employees

The average number of persons employed by the company during the year, including the directors, amounted to:

	2017	2016
	No.	No.
Production staff	**71**	69
Administrative staff	**2**	2
Management staff	**1**	1
	74	72

The aggregate payroll costs incurred during the year, relating to the above, were:

	2017	2016
	£	£
Wages and salaries	**2,218,587**	2,235,883
Social security costs	**228,213**	227,561
Other pension costs	**39,055**	39,977
	2,485,855	2,503,421

9. Directors' remuneration

The directors' aggregate remuneration in respect of qualifying services was:

	2017	2016
	£	£
Remuneration	**89,360**	89,262
Company contributions to defined contribution pension plans	**2,628**	2,531
	91,988	91,793

Director's remuneration

One director is remunerated by Haley Securities Limited for their services to the group and their remuneration paid by that company excluding pension costs totalled £39,500 (2016: £50,000). A management fee is charged by Haley Securities Limited to the company totalling £28,000(2016: £40,000) in relation to the remuneration paid to the directors of Haley Securities Limited.

The remuneration of directors includes key management remuneration, key management are directors.

10. Interest receivable

	2017	2016
	£	£
Interest on cash and cash equivalents	**52**	83
Interest received on overpaid corporation tax	**264**	–
	316	83

11. Interest payable

	2017	2016
	£	£
Other interest payable and similar charges	**–**	61

12. Taxation on ordinary activities

Major components of tax expense

	2017	2016
	£	£
Current tax:		
UK current tax expense	**827**	1,037
Adjustments in respect of prior periods	**(1,410)**	1,025
Total current tax	**(583)**	2,062

12. Taxation on ordinary activities *(continued)*

	2017	2016
	£	£
Deferred tax:		
Origination and reversal of timing differences	**26,812**	11,549
Impact of change in tax rate	**(13,406)**	(4,803)
Total deferred tax	**13,406**	6,746
Taxation on ordinary activities	**12,823**	8,808

In 2015 there was a First Tier Tribunal hearing for Leekes Ltd v Revenue and Customs Commissioners 2015 UKFTT 0093 (TC) which was decided in favour of the tax payer. HM Revenue & Customs successfully appealed against this decision at the Upper Tribunal (UT/2015/0083). It is not currently known whether Leekes will appeal against this decision to the Court of Appeal.

Whilst the directors believe that this case is similar to their position when the trade of Alan Dick Radar and Cellular Ltd was transferred into Francis & Lewis International Ltd, the financial statements have been prepared on the basis that there will be no change to the decision made by the Upper Tribunal.

The losses carried forward at the end of the year that relate to the Alan Dick Radar and Cellular Ltd trade amount to £4,294,027.

Reconciliation of tax expense

The tax assessed on the profit on ordinary activities for the year is lower than (2016: lower than) the standard rate of corporation tax in the UK of 19% (2016: 20%).

	2017	2016
	£	£
Profit on ordinary activities before taxation	**338,161**	413,292
Profit on ordinary activities by rate of tax	**64,326**	82,658
Adjustment to tax charge in respect of prior periods	**1,410**	1,025
Effect of expenses not deductible for tax purposes	**7,636**	1,008
Effect of capital allowances and depreciation	**2,473**	(4,801)
Utilisation of tax losses	**(14,120)**	(24,543)
Effect of R & D relief	**(48,902)**	(46,539)
Tax on profit	**12,823**	8,808

13. Dividends

Dividends paid during the year (excluding those for which a liability existed at the end of the prior year):

	2017	2016
	£	£
Equity dividends on ordinary shares	**500,000**	500,000

14. Intangible assets

	Goodwill £
Cost	
At 1 January 2017 and 31 December 2017	**5,000**
Amortisation	
At 1 January 2017 and 31 December 2017	**5,000**
Carrying amount	
At 31 December 2017	**–**
At 31 December 2016	–

15. Tangible assets

	Plant and machinery £	Fixtures and fittings £	Motor vehicles £	Total £
Cost				
At 1 January 2017	2,179,907	193,034	33,343	**2,406,284**
Additions	168,351	9,358	–	**177,709**
Disposals	–	–	(12,480)	**(12,480)**
At 31 December 2017	2,348,258	202,392	20,863	**2,571,513**
Depreciation				
At 1 January 2017	1,535,417	157,618	30,023	**1,723,058**
Charge for the year	160,112	10,766	708	**171,586**
Disposals	–	–	(11,018)	**(11,018)**
At 31 December 2017	1,695,529	168,384	19,713	**1,883,626**
Carrying amount				
At 31 December 2017	652,729	34,008	1,150	**687,887**
At 31 December 2016	644,490	35,416	3,320	683,226

Capital commitments

	2017 £	2016 £
Contracted for but not provided for in the financial statements	**–**	129,000

16. Stocks

	2017 £	2016 £
Raw materials	**63,184**	58,718
Work in progress	**607,143**	553,332
Finished goods	**103,883**	62,839
	774,211	674,889

17. Debtors

	2017	2016
	£	£
Trade debtors	1,397,442	1,998,250
Amounts owed by group undertakings	26,458	–
Prepayments and accrued income	218,434	414,003
Corporation tax repayable	29,173	68,963
Other debtors	9,406	6,252
	1,680,913	2,487,468

18. Creditors: amounts falling due within one year

	2017	2016
	£	£
Trade creditors	338,916	670,327
Amounts owed to group undertakings	–	4,000
Accruals and deferred income	62,849	78,739
Social security and other taxes	238,984	225,650
Other creditors	89,800	7,398
	730,549	986,114

19. Provisions

	Deferred tax (note 20)
	£
At 1 January 2017	91,255
Additions	13,406
At 31 December 2017	104,661

20. Deferred tax

The deferred tax included in the statement of financial position is as follows:

	2017	2016
	£	£
Included in provisions (note 19)	104,661	91,255

The deferred tax account consists of the tax effect of timing differences in respect of:

	2017	2016
	£	£
Accelerated capital allowances	104,661	91,255

21. Employee benefits

Defined contribution plans

The amount recognised in profit or loss as an expense in relation to defined contribution plans was £36,427 (2016: £37,446).

22. Called up share capital

Authorised share capital

	2017		2016	
	No.	**£**	No.	£
Ordinary shares of £1 each	**20,000**	**20,000**	20,000	20,000

Issued, called up and fully paid

	2017		2016	
	No.	**£**	No.	£
Ordinary shares of £1 each	**20,000**	**20,000**	20,000	20,000

23. Reserves

Profit and loss account - This reserve records retained earnings and accumulated losses.

24. Commitments under operating leases

The total future minimum lease payments under non-cancellable operating leases are as follows:

	2017	2016
	£	£
Not later than 1 year	**24,533**	21,083

25. Related party transactions

During the year the company made purchases of £22,976 (2016: £84,713) and made sales of £22,976 (2016: £240,770) to William Haley Engineering Limited, a fellow subsidiary. There were also recharges of insurance at £98,606 (2016: £79,073) and other small purchase recharges of £2,328 (2016: £5,640).

There was no inter-company balances owing to/from Haley Engineering Limited at the year end.

The company made sales to Haley Securities Limited of £1,940 (2016: £753), paid management fees of £28,000 (2016: £40,000) and rent of land of £3,750 (2016: £15,000) to Haley Securities Limited, the ultimate holding undertaking.

The company paid a dividend to Haley Securities Limited the ultimate holding undertaking of £500,000 (2016: £500,000).

At the year end Haley Securities Limited owed the company £26,458 (2016: The company owed Haley Securities Limited £4,000).

The company rents its Waterwells, Gloucester site from Haley Securities Limited Executive Pension Scheme, at a cost of £127,000 (2016: £127,000) per annum.

26. Controlling party

The ultimate holding undertaking and controlling party is Haley Securities Limited, a company incorporated in the United Kingdom and registered in England and Wales. Copies of the financial statements of Haley Securities Limited can be obtained from the Registrar of Companies, Companies House, Crown Way, Maindy, Cardiff, CF14 3UZ.