

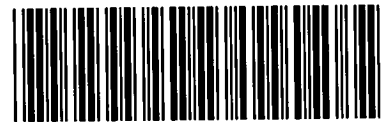
COMPANY NO: 1675128

# Excil Electronics Limited

Annual Report

Year Ended 30 September 2018

MONDAY



\*A81ZC9HF\*

A10

25/03/2019

#201

COMPANIES HOUSE

## Contents

	<b>Page</b>
Company Information	1
Strategic Report	2
Report of the Directors	3
Independent Auditors' Report	5
Profit and Loss Account	7
Statement of Comprehensive Income	7
Balance Sheet	8
Statement of Changes in Equity	9
Notes to the Financial Statements	10

## Company Information

Directors	P G Pollock J Hesketh N S Orme C J Buckenham (appointed 22/03/2018) P V Curtis (appointed 01/10/2018) S K Brett (resigned 21/03/2018)
Secretary	C J Buckenham
Registered office	Light & Power House Shire Hill Saffron Walden CB11 3AQ
Registered number	1675128
Auditors	Grant Thornton UK LLP 101 Cambridge Science Park Milton Road Cambridge CB4 0FY
Bankers	Barclays Bank Plc PO Box 885 Mortlock House Vision Park, Histon Cambridge CB24 9DE

## Strategic Report

### Business description

The Company is based in the North of England and is a market leading designer, manufacturer and supplier of LED based lighting systems. Sales are made into rail, general industrial and commercial markets: of these, rail is the most significant. A wide range of customers are served and exports form a significant part of the business. Revenues are derived from both higher value contracts and lower value routine business. Routes to market vary but a combination of direct and indirect is usual for most products. Agents and distributors are used, particularly in overseas markets, although larger contracts continue to require direct contact.

The Company has a reputation for innovation, finding cost effective solutions to customers' problems, in both benign and hostile environments, which aim to improve reliability and reduce maintenance and life cycle costs. It looks to maintain and develop its technology and to build upon past investment in product development.

### Business review

The Company achieved record revenues of £11.23m, up £2.18m (24.0%) over that in 2017 (£9.06m). Gross Margins reduced slightly due to a high mix of rail project activity and were down 1.3% at 21.6% (2017: 22.9%). Operating costs increased by £271k to £1.27m (2017: £1.00m), predominantly due to increased staff and group management charges. An operating profit before exceptional items of £1.16m (2017: £1.08m) was achieved, an increase of 7.5% on prior year.

2018 order entry of £7.9m was reduced from the high levels achieved in the prior year (2017: £11.2m), in part due to delayed UK rail projects. With an exceptional level of sales, the order book at the end of the year reduced to £6.5m (2017: £9.9m). Current year orders have started strongly, however the directors anticipate a more challenging trading year with uncertainties including Brexit to negotiate, together with a lower level of rail project activity.

### Principal risks and uncertainties

The principal risks confronting the Company, where adverse changes could impact results, are:

- The Company's sales dependence upon the rail sector. The Company: monitors the rail market for advance warning of negative developments; derives revenues from both new-build and the aftermarket; and benefits from its non-rail products, customers and markets served, which mitigate the impact of this dependence.
- Certain activities benefit from long standing commercial relationships with key customers and suppliers. The Company devotes resource to ensure that good customer relationships are maintained while continuing to build relationships with new customers across different business sectors and geographies. The Company monitors supply-chain risks and develops contingency plans to mitigate the impact of supplier failure.
- The Company operates in competitive markets which are subject to product innovation, technical advances and intensive price competition. The Company invests in research and development to develop new technologies and products in order to sustain or improve its competitive position.
- The political and economic uncertainty of Brexit.

### Key performance indicators

The Company uses the following key performance indicators to assess the progression in its business:

- Orders to sales (orders for the year expressed as a multiple of sales) as a measure of prospective growth fell to 0.70 in the current year (2017: 1.23, 2016: 0.87);
- Sales growth (the increase in year on year sales as a percentage of prior year sales) as a measure of current growth being 24.0% for the current year (2017: 8.5%; 2016: 75.6%);
- Gross margin (gross profit as a percentage of turnover) as a measure of profitability being 21.6% in the current year (2017: 22.9% 2016: 26.0%); and
- Net cash flow (net cash flow before financing) as a measure of cash generation being an outflow of £99k for the current year (2017: outflow of £11k, 2016: inflow of £55k).

  
By order of the Board

**R V Curtis**

Director

23 January 2019

## Report of the Directors

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

### Results and dividends

The profit on ordinary activities after taxation amounted to £1,008,000 (2017: £1,226,000). Dividends paid in the year amounted to £900,000 (2017: £940,500). The directors do not recommend the payment of a final dividend (2017: £Nil).

### Principal activities

The principal activities of the Company continue to be the design and manufacture of electronics and lighting solutions for the rail industry and other high reliability markets.

### Directors and their interests

The directors who served during the year are set out on page 1.

### Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial period. 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 laws) including FRS102, the financial reporting standard applicable in the United Kingdom and Republic of Ireland. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the 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.

The directors confirm that:

- so far as each director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the directors have taken all steps that they ought to have taken in order to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## **Report of the Directors (continued)**

### **Auditors**

Grant Thornton UK LLP are willing to continue in office and a resolution to re-appoint them will be proposed at the forthcoming Annual General Meeting.

### **Approval**

The report of the directors was approved by the Board on 23 January 2019 and signed on its behalf by:



**C J Buckenham**  
Secretary

Excil Electronics Limited is registered in England No 1675128

## Independent Auditors' Report to the Members of Excil Electronics Limited

### Opinion

We have audited the financial statements of Excil Electronics Limited (the 'company') for the year ended 30 September 2018 which comprise the profit and loss account, the statement of comprehensive income, the balance sheet, the statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102; The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 September 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 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.

### Who we are reporting to

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.

### Conclusions relating to going concern

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

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

### Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report set out on pages 2 to 4, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material 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.

## Independent Auditors' Report to the Members of Excil Electronics Limited (continued)

### Opinions on other matters prescribed by the Companies Act 2006

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

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

### Matter on which we are required to report under the Companies Act 2006

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

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

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 for the financial statements

As explained more fully in the directors' responsibilities statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

### 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.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.



**Paul C Brown**  
Senior Statutory Auditor  
for and on behalf of Grant Thornton UK LLP  
Statutory Auditor, Chartered Accountants  
Cambridge

Date: 24 January 2019

## Profit and Loss Account

for the year ended 30 September 2018

	Note	2018 £'000	2017 £'000
<b>Turnover</b>	4	11,234	9,057
Cost of sales		(8,808)	(6,983)
<b>Gross profit</b>		<u>2,426</u>	<u>2,074</u>
Sales and distribution costs		(574)	(551)
Administrative expenses		(696)	(448)
<b>Operating profit before exceptional items</b>		<u>1,156</u>	<u>1,075</u>
Gain on sale of property	6	-	341
Relocation costs	6	-	(37)
<b>Operating profit</b>		<u>1,156</u>	<u>1,379</u>
Interest payable	5	(8)	(7)
<b>Profit on ordinary activities before taxation</b>	6	<u>1,148</u>	<u>1,372</u>
Tax on profit on ordinary activities	9	(140)	(146)
<b>Profit for the financial year</b>		<u><u>1,008</u></u>	<u><u>1,226</u></u>
Attributable to:			
- Equity holders of the parent		<u><u>1,008</u></u>	<u><u>1,226</u></u>

All activities are continuing.

The notes on pages 10 to 20 form an integral part of these financial statements.

## Statement of Comprehensive Income

for the year ended 30 September 2018

	2018 £'000	2017 £'000
<b>Profit for the financial year</b>	1,008	1,226
Other comprehensive income	-	-
<b>Total comprehensive income for the financial year</b>	<u><u>1,008</u></u>	<u><u>1,226</u></u>
Attributable to:		
- Equity holders of the parent	<u><u>1,008</u></u>	<u><u>1,226</u></u>

The notes on pages 10 to 20 form an integral part of these financial statements.

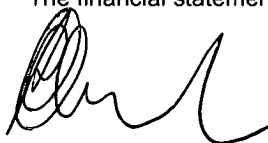
## Balance Sheet

at 30 September 2018

	Note	2018 £'000	2017 £'000
<b>Fixed assets</b>			
Intangible assets	10	51	36
Tangible assets	11	2,815	2,852
		<u>2,866</u>	<u>2,888</u>
<b>Current assets</b>			
Stocks	12	1,374	1,477
Debtors	13	2,425	2,283
Cash at bank and in hand		137	275
		<u>3,936</u>	<u>4,035</u>
<b>Creditors: Amounts falling due within one year</b>	14	(2,601)	(2,710)
<b>Net current assets</b>		<u>1,335</u>	<u>1,325</u>
<b>Total assets less current liabilities</b>		4,201	4,213
<b>Creditors: Amounts falling due after more than one year</b>	15	(102)	(222)
<b>Provisions for liabilities</b>	17	(47)	(47)
<b>Net assets</b>		<u>4,052</u>	<u>3,944</u>
<b>Capital and reserves</b>			
Called up share capital	18	1,254	1,254
Share premium account	19	104	104
Revaluation reserve	19	-	-
Profit and loss reserve	19	2,694	2,586
<b>Equity shareholders' funds</b>		<u>4,052</u>	<u>3,944</u>

The notes on pages 10 to 20 form an integral part of these financial statements.

The financial statements were approved by the Board on 23 January 2019 and signed on its behalf by:



**P G Pollock**  
Director

## Statement of Changes in Equity

For the year ended 30 September 2018

	Called up share capital £'000	Share premium account £'000	Revaluation reserve £'000	Profit and loss reserve £'000	Total £'000
As at 1 October 2017	1,254	104	-	2,586	3,944
Total comprehensive income for the financial year	-	-	-	1,008	1008
Dividend	-	-	-	(900)	(900)
Transfer	-	-	-	-	-
As at 30 September 2018	1,254	104	-	2,694	4,052

For the year ended 30 September 2017

	Called up share capital £'000	Share premium account £'000	Revaluation reserve £'000	Profit and loss reserve £'000	Total £'000
As at 1 October 2016	1,254	104	83	2,218	3,659
Total comprehensive income for the financial year	-	-	-	1,226	1,226
Dividend	-	-	-	(941)	(941)
Transfer	-	-	(83)	83	-
As at 30 September 2017	1,254	104	-	2,586	3,944

## Notes to the Financial Statements

for the year ended 30 September 2018

### 1. Company Information

Excil Electronics Limited is a private limited company incorporated in England. Its principal place of business is LPA House, Ripley Drive, Normanton, West Yorkshire, WF6 1QT. The Business is a market leading designer, manufacturer and supplier of LED based lighting systems for rail and other markets.

### 2. Basis of Preparation

These financial statements have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 - 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' ("FRS102"), and with the Companies Act 2006. The financial statements have been prepared on the historical cost basis except for the modification to a fair value basis for certain financial instruments and revaluation of property as specified in the accounting policies below.

The financial statements are presented in Sterling (£).

#### Going concern

The Company's business activities, together with the factors likely to affect its future development and position, are set out in the Strategic Report on page 2. The Company is a subsidiary of LPA Group plc which manages its banking arrangements on a pooled basis across the Group.

Whilst current economic conditions create uncertainty, as: (i) the Company is expected to continue to generate positive cash flows on its own account for the foreseeable future; (ii) the Group has in place adequate working capital facilities for its forecast needs; and (iii) the Company has proven adaptable in past periods of adversity, the directors believe that the Company is well placed to manage its business risks successfully.

After making enquiries, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

### 3. Accounting Policies

#### A. Intangible assets

##### *Research and development*

Research expenditure is expensed in the income statement as incurred.

Development expenditure on a project is written off as incurred unless it can be demonstrated that the following conditions for capitalisation, in accordance with FRS102 are met:

- the intention is to complete the development of the intangible asset and use or sell it;
- the development costs are separately identifiable and can be measured reliably;
- management are satisfied as to the ultimate technical and commercial viability of the project; so that it will be available for use or sale;
- management are satisfied with the availability of technical, financial and other resources to complete the development and use or sell the intangible asset; and
- it is probable that the asset will generate future economic benefit.

Any subsequent development costs are capitalised and are amortised, within cost of sales, from the date the product or process is available for use, on a straight line basis over its estimated useful life. The useful life for the development costs capitalised at the current year-end is 3 years.

## Notes to the Financial Statements

for the year ended 30 September 2018

### 3. Accounting Policies (continued)

#### B. Tangible fixed assets

Tangible fixed assets are measured at cost, net of depreciation and any provision for impairment.

Depreciation is calculated to write down the cost or valuation, less estimated residual value, of all tangible fixed assets, other than freehold land, by equal annual instalments over their estimated useful economic lives. The rates generally applicable are:

Freehold buildings	2%
Plant and equipment	10%
Fixtures and fittings	10%
Computer equipment	25%

At transition to FRS102 the carrying value of freehold land and buildings, that had previously been revalued, is shown as deemed cost and not subsequently revalued. The revaluation surplus that had been previously recognised is retained in the revaluation reserve and transferred to the profit and loss reserve on impairment, depreciation or disposal of the relevant properties.

A profit or loss on disposal is recognised in the profit & loss account at the surplus or deficit of disposal proceeds over net carrying amount of the asset at the time of disposal.

#### C. Impairment of assets

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

If an impairment loss subsequently reverses, the carry amount of the asset is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

#### D. Leased assets

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the leased asset to the Company. All other leases are classified as operating leases.

##### *Finance leases*

Assets held under finance leases are recognised initially at the fair value of the leased asset (or, if lower, the present value of minimum lease payments) at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation using the effective interest method so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are deducted in measuring profit or loss. Assets held under finance leases are included in tangible fixed assets and depreciated and assessed for impairment losses in the same way as owned assets.

##### *Operating leases*

Payments made under operating leases are recognised in the income statement on a straight-line basis over the period of the lease, unless the rental payments are structured to increase in line with expected general inflation, in which case the Company recognises annual rent expense equal to amounts owed to the lessor. Lease incentives are spread over the term of the lease.

#### E. Stocks

Stocks are stated at the lower of cost and net realisable value. The costs of ordinarily interchangeable items are based on a first-in, first-out basis. Cost includes direct materials, direct labour and an appropriate proportion of production overheads based on normal levels of activity.

## Notes to the Financial Statements

for the year ended 30 September 2018

### 3. Accounting Policies (continued)

#### F. Debtors

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

#### G. Creditors

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

#### H. Taxation

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

Deferred tax is recognised in respect of all timing differences at the reporting date, except as otherwise indicated. Deferred tax assets are only recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

If and when all conditions for retaining tax allowances for the cost of a fixed asset have been met, the deferred tax is reversed.

Deferred tax is calculated using the tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

The tax expense (income) is presented either in profit or loss, other comprehensive income or equity depending on the transaction that resulted in the tax expense (income).

Deferred tax liabilities are presented within provisions for liabilities and deferred tax assets within debtors. Deferred tax assets and deferred tax liabilities are offset only if the Company has a legally enforceable right to set off current tax assets against current tax liabilities.

#### I. Turnover

Turnover comprises the invoiced value of the design, manufacture and supply of products by the Company excluding value added tax, trade and volume discounts.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership have been transferred to the buyer of the goods, generally upon despatch and reliable measurement is possible. Revenue is not recognised where recovery of the consideration is not probable or there are significant uncertainties regarding associated costs, or the possible return of goods.

Where a project combines the design with the manufacture and supply of products, the revenue from the project is recognised on the achievement of milestones in accordance with specific contractual agreements.

#### J. Government grants

Grants that relate to specific capital expenditure are treated as deferred income, which is then credited to the profit and loss account over the related assets useful life. Other grants are credited to the profit and loss account when received.

#### K. Employee benefits

Short-term employee benefits and contributions to defined contribution plans are recognised as an expense in the period in which they are incurred.

## Notes to the Financial Statements

for the year ended 30 September 2018

### 3. Accounting Policies (continued)

#### L. Foreign currencies

Transactions in foreign currencies (those other than Sterling) are recognised at the exchange rate ruling at the date of the transaction. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date.

Exchange differences are recognised in profit or loss in the period in which they arise.

#### M. Exceptional items

Exceptional items are material items of profit and loss which by virtue of their size or nature are separately disclosed to assist in the better understanding of the Company's performance.

#### N. Disclosures and cash flow statement

As a qualifying entity, the Company has adopted the following disclosure exemptions under FRS102:

- the requirement to present a statement of cash flows and related notes
- financial instrument disclosures
- key management remuneration disclosures

The company is included in the consolidated financial statements of LPA Group Plc which can be obtained from [www.lpa-group.com](http://www.lpa-group.com).

#### O. Significant judgements and estimates

The preparation of the financial statements requires management to make judgements on the application of its accounting policies and make estimates about the future. Actual results may differ from these assumptions. There are no critical judgements made in arriving at the amounts included in these financial statements nor are there key sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in the next financial year.

### 4. Geographical Analysis of Turnover

	2018 £'000	2017 £'000
United Kingdom	4,008	2,912
Rest of Europe	2,884	1,718
Rest of World	4,342	4,427
	11,234	9,057

In the opinion of the directors, the activities of the Company constitute one business segment.

### 5. Interest Payable

	2018 £'000	2017 £'000
Bank overdraft	1	3
Hire purchase contracts	7	4
	8	7

## Notes to the Financial Statements

for the year ended 30 September 2018

### 6. Profit on Ordinary Activities Before Taxation

The profit on ordinary activities before taxation is stated after charging / (crediting):

<b>A - Within operating profit before exceptional items</b>	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
Depreciation of tangible fixed assets	195	132
Amortisation of intangible fixed assets	12	36
Operating lease rentals - plant and machinery	53	62
Foreign exchange (gain)	1	(3)
Research and development expenditure	140	115
Fees payable to the Company's auditor for the audit of the Company's annual accounts	14	11
Fees payable to the Company's auditor and its associates for tax services	5	3
	<hr/>	<hr/>
<b>B - Within exceptional items</b>	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
Gain on sale of property	-	(333)
Loss on disposal of plant, fixtures and fittings	-	12
Grant release	-	(20)
	<hr/>	<hr/>
Net gain on sale of property	-	(341)
	<hr/>	<hr/>
Relocation costs - of Company activities to new premises	-	37
	<hr/>	<hr/>

Costs considered exceptional in the year were nil. 2017 as shown above, represent a gain on the sale of the Company's old property and costs associated with the relocation of the Company's activities to its new premises.

### 7. Employees

Average monthly number of employees, including directors:	<b>2018</b>	<b>2017</b>
	<b>No</b>	<b>No</b>
Production	70	65
Sales and distribution	7	7
Administration	8	7
	<hr/>	<hr/>
	85	79
	<hr/>	<hr/>
Staff costs, including directors:	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
Wages and salaries	2,300	1,979
Social security costs	235	199
Pension costs	81	61
Group Life assurance	13	11
	<hr/>	<hr/>
	2,629	2,250
	<hr/>	<hr/>

## Notes to the Financial Statements

for the year ended 30 September 2018

### 8. Directors' Remuneration

Remuneration in respect of directors was as follows:	2018 £'000	2017 £'000
Emoluments	199	173
Pension contributions to money purchase pension schemes	15	15
	<u>214</u>	<u>188</u>

During the year two directors (2017: two) participated in money purchase pension schemes.

### 9. Tax on Profit on Ordinary Activities

	2018 £'000	2017 £'000
<b>United Kingdom corporation tax</b>		
Corporation tax payable	164	21
Group relief payable	14	106
Adjustments in respect of prior years	(38)	(5)
<b>Current taxation</b>	<u>140</u>	<u>122</u>
<b>Deferred taxation</b>		
Net origination and reversal of timing differences	0	24
<b>Tax on profit on ordinary activities</b>	<u>140</u>	<u>146</u>

#### Tax reconciliation

	2018 £'000	2017 £'000
Profit on ordinary activities before taxation	<u>1,148</u>	<u>1,372</u>
UK corporation tax at a rate of 19% (2017: 19.5%)	220	268
Effects of:		
- Accelerated capital allowances	(29)	(1)
- Other expenditure that is not tax deductible	2	1
- Share costs	0	(23)
- Research and development expenditure	(36)	(33)
- Property disposal	0	(65)
- Adjustments relating to prior year	0	0
- Other	(17)	(1)
<b>Tax on profit on ordinary activities</b>	<u>140</u>	<u>146</u>

## Notes to the Financial Statements

for the year ended 30 September 2018

### 10. Intangible Assets

#### Capitalised development costs

	Cost £'000	Amortisation £'000	Total £'000
At 1 October 2016	288	(243)	45
Additions	27	-	27
Amortisation	-	(36)	(36)
At 1 October 2017	315	(279)	36
Additions	27	-	27
Amortisation	-	(12)	(12)
At 30 September 2018	342	(291)	51

### 11. Tangible Fixed Assets

	Freehold land and buildings £'000	Plant and machinery £'000	Fixtures, fittings and Equipment £'000	Total £'000
<b>Cost or valuation</b>				
At 1 October 2017	1,984	1,451	551	3,986
Additions	97	16	45	158
Disposals	-	-	-	-
At 30 September 2018	2,081	1,467	596	4,144
<b>Depreciation</b>				
At 1 October 2017	29	802	303	1,134
Charged in period	40	102	53	195
Disposals	-	-	-	-
At 30 September 2018	69	904	356	1,329
<b>Net book value</b>				
At 30 September 2018	2,012	563	240	2,815
At 30 September 2017	1,955	649	248	2,852

The net book value of the tangible fixed assets includes £183,000 (2017: £233,000) in respect of assets held under hire purchase contracts. Depreciation charged in the period on those assets amounted to £22,000 (2017: £16,000).

## Notes to the Financial Statements

for the year ended 30 September 2018

### 12. Stocks

	2018 £'000	2017 £'000
Raw materials	950	1,009
Work in progress	424	468
	1,374	1,477

Stock recognised in cost of sales during the year as an expense was £8,808k (2017: £7,021k).

An impairment loss of £26k (2017: £10k) was recognised in cost of sales against stock during the year due to slow-moving and obsolete stock.

### 13. Debtors

	2018 £'000	2017 £'000
Trade debtors	2,220	2,210
Prepayments and accrued income	75	48
Other Debtors	130	25
	2,425	2,283

### 14. Creditors: Amounts Falling Due Within One Year

	2018 £'000	2017 £'000
Trade creditors	1,524	1,820
Amounts owed to group undertakings	427	516
Other taxation and social security	55	49
Other creditors	9	11
Accruals and deferred income	296	247
Corporation tax	163	21
Government Grants	90	-
Obligations under hire purchase contracts	37	46
	2,601	2,710

### 15. Creditors: Amounts Falling Due After More Than One Year

	2018 £'000	2017 £'000
Obligations under hire purchase contracts	102	132
Government grants	-	90
	102	222

## Notes to the Financial Statements

for the year ended 30 September 2018

### 16. Obligations Under Hire Purchase Contracts

The Company's obligations under hire purchase contracts are analysed by maturity below:

	2018 £'000	2017 £'000
Within one year	37	46
Between one and two years	38	42
Between two and five years	64	90
	<u>139</u>	<u>178</u>

Finance lease and hire purchase liabilities are secured against the assets to which they relate.

### 17. Provisions for Liabilities

	2018 £'000	2017 £'000
Deferred taxation	<u>47</u>	<u>47</u>
<b>Deferred taxation</b>		<b>£'000</b>
At 1 October 2017		47
Charged to profit and loss account in the year		-
At 30 September 2018		<u>47</u>

Deferred taxation provided in the accounts is as follows:

	Provided 2018 £'000	2017 £'000
Accelerated capital allowances	43	41
Capitalised development costs	5	7
Short term compensated absences	-	-
Other timing differences	(1)	(1)
Deferred taxation	<u>47</u>	<u>47</u>

### 18. Called Up Share Capital

	2018 £'000	2017 £'000
<b>Authorised, issued and fully paid</b> 1,254,000 ordinary shares of £1 each	<u>1,254</u>	<u>1,254</u>

## Notes to the Financial Statements

for the year ended 30 September 2018

### 19. Reserves

**Called-up share capital** - called up share capital represents the nominal value of shares that have been issued.

**Share premium account** - this reserve records the premium for shares issued at a value that exceeds their nominal value

**Revaluation reserve** - this reserve represents the difference between the carrying value of freehold land and buildings and the corresponding value calculated on a historic cost basis.

**Profit and loss reserve** - this reserve includes all current and prior period retained profits and losses

### 20. Financial Commitments

#### Operating lease commitments

At the Balance Sheet date the Company has outstanding commitments for future minimum lease payments under non-cancellable operating leases, all of which relate to plant & machinery, which fall due as follows:

	2018 £'000	2017 £'000
Within one year	40	37
Within two to five years	61	9
	101	46

#### Capital commitments

Contracted for but not provided in the accounts amounted to £25,000 (2017: £Nil).

### 21. Transactions with Related Parties

The Company's immediate parent undertaking and controlling party is LPA Group plc a company incorporated in England and Wales. Copies of LPA Group plc group accounts, which include the Company, are available from Companies House, Crown Way, Cardiff, CF14 3UZ.

The Company has taken advantage of the exemption conferred by FRS102 and has not disclosed related party transactions with group undertakings during the period.

### 22. Contingent Liabilities

The following security is provided to Barclays Bank plc in respect of LPA Group plc's £2.17 million term loan facility: (i) a legal charge over the freehold property owned by the Company; (ii) a debenture from the Company; and (iii) a cross guarantee by the Company as guarantor on account of the obligations of each Group company to Barclays Bank plc.

At the year-end the Company had outstanding performance bonds to customers of £87,128 (2017: £160,000). At 30 September 2018 the Company had no commitments under non-cancellable forward foreign exchange contracts (2017: £Nil).

## Notes to the Financial Statements

for the year ended 30 September 2018

### 23. Financial Risk Management

The Company is exposed to foreign currency, interest rate, liquidity and credit risks, either directly on its own account and/or indirectly through being a member of the LPA Group. The two main areas of risk confronting the Company directly are foreign currency and credit risk. The Company's approach and where relevant the Group's policy of managing risk are outlined below.

#### A. Currency risk

Currency exposure arises on sale or purchase transactions in currencies other than sterling, the functional currency of the Company. It is the Group's policy to minimise risk to exchange rate movements affecting sales and purchases by netting currency exposures across the Group, or when there is a high probability of a future commitment arising, using forward exchange contracts. The Group and Company's principal exposure is in respect of the Euro. The Group had no commitments under forward foreign exchange contracts in the year (2017: £Nil). The Group does not trade in derivatives or make speculative hedges.

#### B. Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from trade receivables, but also from cash and cash equivalents, and other financial assets.

##### *Trade receivables*

The Company offers credit terms to its customers which allow payment of the debt after delivery of the goods and so it is at risk to the extent that a customer may be unable to pay the debt on the specified due date. The exposure to credit risk is principally influenced by the individual characteristics of each customer as opposed to a more general demographic of the customer base. Credit risk is managed on an ongoing basis by monitoring the aggregate amount and duration of exposure to any one customer depending upon their credit rating. Credit risk is minimised through cash flow management.

##### *Cash and cash equivalents*

The Group monitors counterparties with whom it deposits cash and transacts other financial instruments so as to control exposure to any one institution.

#### C. Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

The Group's approach is to ensure that, as far as possible, it will have adequate resources to meet its foreseeable financing requirements, with headroom to cope with adverse market conditions. The Group's operations are funded through a combination of retained profits, acquiring an element of its fixed assets under finance leases, medium-term bank loans with short-term flexibility achieved through the use of overdraft facilities.

#### D. Interest rate risk

The Group is exposed to risk from the effect of changes in floating interest rates on the level of interest it pays on its borrowings and receives on its cash deposits. The only financial liabilities of the Group which are subject to interest charges are bank loans, overdrafts and finance lease obligations. The directors monitor the overall level of borrowings and interest costs to limit any adverse effects on financial performance of the Group.