

COMPANY REGISTRATION NUMBER: 04507961

Filon Products Limited
Financial Statements
31 December 2017



BSN ASSOCIATES LIMITED
Chartered accountant & statutory auditor
3B Swallowfield Courtyard
Wolverhampton Road
Oldbury
West Midlands
B69 2JG

Filon Products Limited
Financial Statements
Year ended 31 December 2017

| Contents | Pages |
|---|-----------------|
| Officers and professional advisers | 1 |
| Strategic report | 2 |
| Directors' report | 3 to 4 |
| Independent auditor's report to the members | 5 to 8 |
| Statement of comprehensive income | 9 |
| Statement of financial position | 10 |
| Statement of changes in equity | 11 |
| Notes to the financial statements | 12 to 24 |

Filon Products Limited
Officers and Professional Advisers

| | |
|-------------------------------|--|
| The board of directors | M A Wilcox H J A Cox S R Vickers |
| Company secretary | H J A Cox |
| Registered office | Unit 3 Ring Road Zone 2 Burntwood Business Park Burntwood Staffordshire WS7 3JQ |
| Auditor | BSN Associates Limited Chartered accountant & statutory auditor 3B Swallowfield Courtyard Wolverhampton Road Oldbury West Midlands B69 2JG |
| Bankers | HSBC Bank Plc Market Place Willenhall West Midlands WV13 2AF |
| Solicitors | Higgs & Sons 3 Waterfront Business Park Brierley Hill West Midlands DY5 1LX |

Filon Products Limited

Strategic Report

Year ended 31 December 2017

The principal activity of the company during the year continued to be the manufacture of glass reinforced polyester sheeting.

For 2017 we are pleased to report another strong performance for the company. Throughout the year we saw a consistent level of trade and sales activity. This led to turnover continuing in line with expectations and the previous year. The company continues to remain productive despite the challenging economic conditions which face the market.

Turnover has increased by 4.3% compared to the previous year. Through careful cost management and reduced expenditure where possible, the company was again able to achieve a profit in the financial period, with profit before taxation matching the profitability level of 2016.

There was continued interest in the innovative Fixsafe range along with the introduction of new and the retention of existing customers together with additions to product lines. The company will continue to pursue new business opportunities and continue its research and development programme whilst concentrating on its core capabilities.

Our growth strategy is all about careful, consistent and considered development within the industry. Although there are potential external threats, the company is actively and successfully seeking customers in alternative market sectors to reduce the reliance on its traditional core business of industrial roofing.

The directors measure the business's financial performance against certain key performance indicators (KPIs). These KPIs include sales level, gross margins and added value. The gross profit margin for 2017 was 40.1% (2016: 40.1%). The directors are satisfied with the results achieved in the financial year.

This report was approved by the board of directors on 4 May 2018 and signed on behalf of the board by:



S R Vickers
Director

Registered office:
Unit 3 Ring Road Zone 2
Burntwood Business Park
Burntwood
Staffordshire
WS7 3JQ

Filon Products 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:

M A Wilcox
H J A Cox
S R Vickers

Dividends

Particulars of recommended dividends are detailed in note 12 to the financial statements.

Future developments

The directors are confident about the future and continued success of the company. Turnover levels are expected to continue to increase with similar gross profit margins being retained. The company should continue to be profitable in the next financial year.

Financial instruments

The main risks that the company is exposed to include credit risk, interest rate risk and price risk. The directors monitor these risks on a regular basis and take the most appropriate course of action.

The company insures its customers debts reducing its exposure to credit risk, any customers that cannot be insured are reviewed by the directors and assessed on an individual basis as to whether advance payment or credit will be given. All such customers are reviewed on a regular basis by the directors.

The company has facilities in place with its bank which therefore minimises its exposure to interest rate risk, subject to any movement in the bank base rate.

The company is exposed to fluctuations in both market prices and availability of supply of materials from its suppliers to mitigate this the company diversifies its risk by using several suppliers for each type of raw material and regularly agrees prices with its suppliers going forward.

Events after the end of the reporting period

No events have occurred since the reporting date that require adjustment or disclosure in the accounts.

Research and development

The company has continued to carry out research and development activities in the year to enable it to maintain its position in the market place with the product range and new and innovative ideas that it develops.

Disclosure of information in the strategic report

The strategic report is detailed on page 2 of the financial statements.

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.

Filon Products Limited

Directors' Report *(continued)*

Year ended 31 December 2017

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 4 May 2018 and signed on behalf of the board by:



S R Vickers
Director

Registered office:
Unit 3 Ring Road Zone 2
Burntwood Business Park
Burntwood
Staffordshire
WS7 3JQ

Filon Products Limited

Independent Auditor's Report to the Members of Filon Products Limited

Year ended 31 December 2017

Opinion

We have audited the financial statements of Filon Products 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 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 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.

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.

Filon Products Limited

Independent Auditor's Report to the Members of Filon Products Limited

(continued)

Year ended 31 December 2017

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.

Filon Products Limited

Independent Auditor's Report to the Members of Filon Products Limited

(continued)

Year ended 31 December 2017

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.

Filon Products Limited

Independent Auditor's Report to the Members of Filon Products Limited

(continued)

Year ended 31 December 2017

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.

Hannah Justice ACA FCCA
Hannah Justice ACA FCCA (Senior Statutory Auditor)

For and on behalf of
BSN Associates Limited
Chartered accountant & statutory auditor
3B Swallowfield Courtyard
Wolverhampton Road
Oldbury
West Midlands
B69 2JG

4 May 2018

Filon Products Limited
Statement of Comprehensive Income
Year ended 31 December 2017

| | Note | 2017 £000 | 2016 £000 |
|---|----------|---------------|--------------|
| Turnover | 4 | 10,672 | 10,232 |
| Raw material and consumables | | 5,278 | 5,022 |
| Change in stocks of finished goods and in work in progress | | (96) | 60 |
| Staff costs | 7 | 2,218 | 2,188 |
| Depreciation and other amounts written off tangible and intangible fixed assets | | 94 | 96 |
| Other operating expenses | | 2,000 | 1,677 |
| Operating profit | 5 | 1,178 | 1,189 |
| Other interest receivable and similar income | 9 | 1 | — |
| Interest payable and similar expenses | 10 | 19 | 22 |
| Profit before taxation | | 1,160 | 1,167 |
| Tax on profit | 11 | 214 | 192 |
| Profit for the financial year and total comprehensive income | | 946 | 975 |

All the activities of the company are from continuing operations.

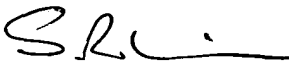
The notes on pages 12 to 24 form part of these financial statements.

Filon Products Limited
Statement of Financial Position
31 December 2017

| | Note | 2017 £000 | 2016 £000 |
|--|------|---------------------|---------------------|
| Fixed assets | | | |
| Tangible assets | 14 | 1,524 | 1,599 |
| Investments | 15 | <u>2,741</u> | <u>2,741</u> |
| | | 4,265 | 4,340 |
| Current assets | | | |
| Stocks | 16 | 1,107 | 1,135 |
| Debtors | 17 | 5,138 | 5,121 |
| Cash at bank and in hand | | <u>1,565</u> | <u>605</u> |
| | | 7,810 | 6,861 |
| Creditors: amounts falling due within one year | 18 | <u>4,490</u> | <u>4,524</u> |
| Net current assets | | 3,320 | 2,337 |
| Total assets less current liabilities | | 7,585 | 6,677 |
| Creditors: amounts falling due after more than one year | 19 | 635 | 770 |
| Provisions | | | |
| Taxation including deferred tax | 21 | 18 | 25 |
| Other provisions | 21 | <u>282</u> | <u>78</u> |
| | | 300 | 103 |
| Net assets | | <u>6,650</u> | <u>5,804</u> |
| Capital and reserves | | | |
| Called up share capital | 24 | 180 | 180 |
| Profit and loss account | 25 | <u>6,470</u> | <u>5,624</u> |
| Shareholders funds | | <u>6,650</u> | <u>5,804</u> |

These financial statements were approved by the board of directors and authorised for issue on 4 May 2018, and are signed on behalf of the board by:


H J A Cox
Director


S R Vickers
Director

Company registration number: 04507961

The notes on pages 12 to 24 form part of these financial statements.

Filon Products Limited
Statement of Changes in Equity
Year ended 31 December 2017

| | | Called up share capital £000 | Profit and loss account £000 | Total £000 |
|---|----|------------------------------------|------------------------------------|-----------------------|
| At 1 January 2016 | | 180 | 4,749 | 4,929 |
| Profit for the year | | — | 975 | 975 |
| Total comprehensive income for the year | | — | 975 | 975 |
| Dividends paid and payable | 12 | — | (100) | (100) |
| Total investments by and distributions to owners | | — | (100) | (100) |
| At 31 December 2016 | | 180 | 5,624 | 5,804 |
| Profit for the year | | — | 946 | 946 |
| Total comprehensive income for the year | | — | 946 | 946 |
| Dividends paid and payable | 12 | — | (100) | (100) |
| Total investments by and distributions to owners | | — | (100) | (100) |
| At 31 December 2017 | | <u>180</u> | <u>6,470</u> | <u>6,650</u> |

The notes on pages 12 to 24 form part of these financial statements.

Filon Products Limited

Notes to the Financial Statements

Year ended 31 December 2017

1. General information

The company is a private company limited by shares, registered in England and Wales. The address of the registered office is Unit 3 Ring Road Zone 2, Burntwood Business Park, Burntwood, Staffordshire, WS7 3JQ.

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. Accounting policies

Basis of preparation

The financial statements have been prepared on the historical cost basis, as modified by the revaluation of certain financial assets and liabilities and investment properties measured at fair value through profit or loss.

The financial statements are prepared in sterling, which is the functional currency of the entity.

Disclosure exemptions

The entity satisfies the criteria of being a qualifying entity as defined in FRS 102. Its financial statements are consolidated into the financial statements of Filon GRP Limited which can be obtained from its registered office. As such, advantage has been taken of the following disclosure exemptions available under paragraph 1.12 of FRS 102:

- No cash flow statement has been presented for the company
- Disclosures in respect of financial instruments have not been presented
- No disclosure has been given for the aggregate remuneration of key management personnel

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 about the assets and liabilities of the company that are not readily apparent from other sources. These estimates and judgements are continually reviewed and are based on experience and other relevant factors, including expectations of future events that are believed to be reasonable under the circumstances. Accounting estimates and assumptions are made concerning the future and, by their nature, will rarely equal the related actual outcome.

There are no key estimations or judgements that have been made by management in preparing these financial statements that would have a material impact on the assets and liabilities of the company.

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.

Filon Products Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2017

3. Accounting policies *(continued)*

Revenue recognition *(continued)*

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.

Income tax

The taxation expense represents the aggregate amount of current and deferred tax recognised in the reporting period. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, tax is recognised in other comprehensive income or directly in equity, respectively.

Current tax is recognised on taxable profit for the current and past periods. Current tax is measured at the amounts of tax expected to pay or recover using the tax rates and laws that have been enacted or substantively enacted at the reporting date.

Deferred tax is recognised in respect of all timing differences at the reporting date. Unrelieved tax losses and other deferred tax assets are 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. Deferred tax is measured 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.

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.

Intangible assets

Intangible assets are initially recorded at cost, and are subsequently stated at cost less any accumulated amortisation and impairment losses. Any intangible assets carried at revalued amounts, are recorded at the fair value at the date of revaluation, as determined by reference to an active market, less any subsequent accumulated amortisation and subsequent accumulated impairment losses.

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:

Intellectual Property - 2 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.

Research and development

Research expenditure is written off in the period in which it is incurred.

Filon Products Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2017

3. Accounting policies *(continued)*

Research and development *(continued)*

Development expenditure incurred is capitalised as an intangible asset only when all of the following criteria are met:

- It is technically feasible to complete the intangible asset so that it will be available for use or sale;
- There is the intention to complete the intangible asset and use or sell it;
- There is the ability to use or sell the intangible asset;
- The use or sale of the intangible asset will generate probable future economic benefits;
- There are adequate technical, financial and other resources available to complete the development and to use or sell the intangible asset; and
- The expenditure attributable to the intangible asset during its development can be measured reliably.

Expenditure that does not meet the above criteria is expensed as incurred.

Tangible assets

Tangible assets are initially recorded at cost, and subsequently stated at cost less any accumulated depreciation and impairment losses. Any tangible assets carried at revalued amounts are recorded at the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

An increase in the carrying amount of an asset as a result of a revaluation, is recognised in other comprehensive income and accumulated in equity, except to the extent it reverses a revaluation decrease of the same asset previously recognised in profit or loss. A decrease in the carrying amount of an asset as a result of revaluation, is recognised in other comprehensive income to the extent of any previously recognised revaluation increase accumulated in equity in respect of that asset. Where a revaluation decrease exceeds the accumulated revaluation gains accumulated in equity in respect of that asset, the excess shall be recognised in profit or loss.

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:

| | | |
|-------------------|---|--------------------------|
| Freehold Property | - | 2.50% straight line |
| Plant & Machinery | - | 7.5% - 25% straight line |

Investments

Fixed asset investments are initially recorded at cost, and subsequently stated at cost less any accumulated impairment losses.

Filon Products Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2017

3. Accounting policies *(continued)*

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.

Finance leases and hire purchase contracts

Assets held under finance leases and hire purchase contracts are recognised in the statement of financial position as assets and liabilities at the lower of the fair value of the assets and the present value of the minimum lease payments, which is determined at the inception of the lease term. Any initial direct costs of the lease are added to the amount recognised as an asset.

Lease payments are apportioned between the finance charges and reduction of the outstanding lease liability using the effective interest method. Finance charges are allocated to each period so as to produce a constant rate of interest on the remaining balance of the liability.

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.

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.

Filon Products Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2017

3. Accounting policies *(continued)*

Financial instruments

A financial asset or a financial liability is recognised only when the company 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.

Debt instruments are subsequently measured at amortised cost.

Where investments in non-convertible preference shares and non-puttable ordinary shares or preference shares are publicly traded or their fair value can otherwise be measured reliably, the investment is subsequently measured at fair value with changes in fair value recognised in profit or loss. All other such investments are subsequently measured at cost less impairment.

Other financial instruments, including derivatives, are initially recognised at fair value, unless payment for an asset is deferred beyond normal business terms or financed at a rate of interest that is not a market rate, in which case the asset is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Other financial instruments are subsequently measured at fair value, with any changes recognised in profit or loss, with the exception of hedging instruments in a designated hedging relationship.

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.

Any reversals of impairment are recognised in profit or loss immediately, to the extent that the reversal does not result in a carrying amount of the financial asset that exceeds what the carrying amount would have been had the impairment not previously been recognised.

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.

Filon Products Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2017

4. Turnover

Turnover arises from:

| | 2017 £000 | 2016 £000 |
|---------------|---------------|---------------|
| Sale of goods | <u>10,672</u> | <u>10,232</u> |

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 £000 | 2016 £000 |
|----------------|---------------|---------------|
| United Kingdom | 10,524 | 10,093 |
| Overseas | <u>148</u> | <u>139</u> |
| | <u>10,672</u> | <u>10,232</u> |

5. Operating profit

Operating profit or loss is stated after charging:

| | 2017 £000 | 2016 £000 |
|--|--------------|--------------|
| Gains on disposal of tangible assets | (1) | – |
| Cost of stocks recognised as an expense | 5,182 | 5,082 |
| Impairment of trade debtors | 1 | (4) |
| Research and development expenditure written off | 61 | 56 |
| Auditors fee | 11 | 12 |
| Accountancy services | 1 | 2 |
| Tax advisory services | 3 | 3 |
| Operating lease rentals | <u>41</u> | <u>36</u> |

6. Auditor's remuneration

| | 2017 £000 | 2016 £000 |
|--|--------------|--------------|
| Fees payable for the audit of the financial statements | <u>11</u> | <u>12</u> |
| Fees payable to the company's auditor and its associates for other services: | | |
| Taxation advisory services | 3 | 3 |
| Other non-audit services | <u>1</u> | <u>2</u> |
| | <u>4</u> | <u>5</u> |

7. Staff costs

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

| | 2017 No. | 2016 No. |
|----------------------|-------------|-------------|
| Production staff | 45 | 45 |
| Administrative staff | <u>33</u> | <u>33</u> |
| | <u>78</u> | <u>78</u> |

Filon Products Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2017

7. Staff costs *(continued)*

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

| | 2017 | 2016 |
|-----------------------|--------------|--------------|
| | £000 | £000 |
| Wages and salaries | 1,974 | 1,948 |
| Social security costs | 191 | 183 |
| Other pension costs | 53 | 57 |
| | <u>2,218</u> | <u>2,188</u> |

8. Directors' remuneration

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

| | 2017 | 2016 |
|---|------------|------------|
| | £000 | £000 |
| Remuneration | 222 | 220 |
| Company contributions to defined contribution pension plans | 15 | 16 |
| | <u>237</u> | <u>236</u> |

The number of directors who accrued benefits under company pension plans was as follows:

| | 2017 | 2016 |
|----------------------------|----------|----------|
| | No. | No. |
| Defined contribution plans | <u>3</u> | <u>3</u> |

Remuneration of the highest paid director in respect of qualifying services:

| | 2017 | 2016 |
|---|------------|------------|
| | £000 | £000 |
| Aggregate remuneration | 96 | 93 |
| Company contributions to defined contribution pension plans | 8 | 8 |
| | <u>104</u> | <u>101</u> |

9. Other interest receivable and similar income

| | 2017 | 2016 |
|---------------------------------------|----------|----------|
| | £000 | £000 |
| Interest on cash and cash equivalents | <u>1</u> | <u>—</u> |

10. Interest payable and similar expenses

| | 2017 | 2016 |
|--|-----------|-----------|
| | £000 | £000 |
| Interest on banks loans and overdrafts | <u>19</u> | <u>22</u> |

Filon Products Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2017

11. Tax on profit

Major components of tax expense

| | 2017 £000 | 2016 £000 |
|--|--------------|--------------|
| Current tax: | | |
| UK current tax expense | 221 | 231 |
| Adjustments in respect of prior periods | — | (28) |
| Total current tax | <u>221</u> | <u>203</u> |
| Deferred tax: | | |
| Origination and reversal of timing differences | (7) | (11) |
| Tax on profit | <u>214</u> | <u>192</u> |

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 19.25% (2016: 20%).

| | 2017 £000 | 2016 £000 |
|---|--------------|--------------|
| Profit on ordinary activities before taxation | 1,160 | 1,167 |
| Profit on ordinary activities by rate of tax | 223 | 233 |
| Adjustment to tax charge in respect of prior periods | — | (28) |
| Effect of expenses not deductible for tax purposes | 6 | 5 |
| Effect of capital allowances and depreciation | — | (6) |
| Rounding on tax charge | — | 2 |
| Research and development relief | (15) | (15) |
| Difference due to change of tax rate for deferred tax | — | 1 |
| Tax on profit | <u>214</u> | <u>192</u> |

12. Dividends

| | 2017 £000 | 2016 £000 |
|--|--------------|--------------|
| Dividends proposed before the year end and recognised as a liability | <u>100</u> | <u>100</u> |

Filon Products Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2017

13. Intangible assets

| | Intellectual property £000 |
|--|----------------------------------|
| Cost | |
| At 1 January 2017 and 31 December 2017 | <u>50</u> |
| Amortisation | |
| At 1 January 2017 and 31 December 2017 | <u>50</u> |
| Carrying amount | |
| At 31 December 2017 | <u>—</u> |
| At 31 December 2016 | <u>—</u> |

The intellectual property represents patent rights for a product sold by the group.

14. Tangible assets

| | Freehold property £000 | Plant and machinery £000 | Total £000 |
|----------------------------|------------------------------|--------------------------------|---------------|
| Cost | | | |
| At 1 January 2017 | 1,565 | 1,724 | 3,289 |
| Additions | 15 | 5 | 20 |
| Disposals | — | (13) | (13) |
| At 31 December 2017 | <u>1,580</u> | <u>1,716</u> | <u>3,296</u> |
| Depreciation | | | |
| At 1 January 2017 | 198 | 1,492 | 1,690 |
| Charge for the year | 17 | 78 | 95 |
| Disposals | — | (13) | (13) |
| At 31 December 2017 | <u>215</u> | <u>1,557</u> | <u>1,772</u> |
| Carrying amount | | | |
| At 31 December 2017 | <u>1,365</u> | <u>159</u> | <u>1,524</u> |
| At 31 December 2016 | <u>1,367</u> | <u>232</u> | <u>1,599</u> |

Finance leases and hire purchase contracts

Included within the carrying value of tangible assets are the following amounts relating to assets held under finance leases or hire purchase agreements:

| | Motor vehicles £000 |
|----------------------------|---------------------------|
| At 31 December 2017 | <u>—</u> |
| At 31 December 2016 | <u>6</u> |

Filon Products Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2017

15. Investments

| | Shares in group undertakings £000 |
|--|--|
| Cost | |
| At 1 January 2017 and 31 December 2017 | <u>2,741</u> |
| Impairment | |
| At 1 January 2017 and 31 December 2017 | <u>-</u> |
| Carrying amount | |
| At 31 December 2017 | <u>2,741</u> |
| At 31 December 2016 | <u>2,741</u> |

The company owns 100% of the issued share capital of GRP Signs Limited in which it holds 123,000 £1 ordinary shares. The net assets, profit and activities of the subsidiary for the year end is listed below:

Aggregate capital and reserves

| | 2017 £000 | 2016 £000 |
|-------------------|--------------|--------------|
| GRP Signs Limited | 2,790 | 2,790 |

Profit and (loss) for the year

| | 2017 £000 | 2016 £000 |
|-------------------|--------------|--------------|
| GRP Signs Limited | - | - |

GRP Signs Limited is a company registered in England and Wales. The company has been dormant throughout the current and previous year.

16. Stocks

| | 2017 £000 | 2016 £000 |
|-------------------------------------|--------------|--------------|
| Raw materials and consumables | 697 | 821 |
| Finished goods and goods for resale | 410 | 314 |
| | <u>1,107</u> | <u>1,135</u> |

17. Debtors

| | 2017 £000 | 2016 £000 |
|------------------------------------|--------------|--------------|
| Trade debtors | 1,765 | 1,755 |
| Amounts owed by group undertakings | 3,300 | 3,300 |
| Prepayments and accrued income | 73 | 66 |
| | <u>5,138</u> | <u>5,121</u> |

Filon Products Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2017

18. Creditors: amounts falling due within one year

| | 2017 £000 | 2016 £000 |
|--|--------------|--------------|
| Bank loans and overdrafts | 129 | 126 |
| Trade creditors | 824 | 890 |
| Amounts owed to group undertakings | 2,790 | 2,790 |
| Accruals and deferred income | 34 | 26 |
| Corporation tax | 221 | 231 |
| Social security and other taxes | 294 | 248 |
| Obligations under finance leases and hire purchase contracts | – | 3 |
| Dividends payable | 100 | 100 |
| Other creditors | 98 | 110 |
| | <u>4,490</u> | <u>4,524</u> |

Liabilities due in relation to hire purchase agreements are secured over the assets they finance.

Bank loan borrowings are secured by a first legal charge on the company's premises at Burntwood and a first fixed and floating charge over the company's other assets. Bank loans and mortgages bear interest at 2% above the Bank of England base rate as published from time to time.

19. Creditors: amounts falling due after more than one year

| | 2017 £000 | 2016 £000 |
|--|--------------|--------------|
| Bank loans and overdrafts | 635 | 764 |
| Obligations under finance leases and hire purchase contracts | – | 6 |
| | <u>635</u> | <u>770</u> |

Included within creditors: amounts falling due after more than one year is an amount of £90,249 (2016: £229,347) in respect of liabilities payable or repayable by instalments which fall due for payment after more than five years from the reporting date.

Liabilities due in relation to hire purchase agreements are secured over the specific assets they finance.

Bank loan borrowings are secured by a first legal charge on the company's premises at Burntwood and a first fixed and floating charge over the company's other assets. Bank loans and mortgages bear interest of 2% above the Bank of England base rate as published from time to time.

20. Finance leases and hire purchase contracts

The total future minimum lease payments under finance leases and hire purchase contracts are as follows:

| | 2017 £000 | 2016 £000 |
|--|--------------|--------------|
| Not later than 1 year | – | 3 |
| Later than 1 year and not later than 5 years | – | 6 |
| | <u>–</u> | <u>9</u> |

Filon Products Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2017

21. Provisions

| | Warranties £000 | Deferred tax (note 22) £000 | Total £000 |
|----------------------------|--------------------|-----------------------------------|---------------|
| At 1 January 2017 | 78 | 25 | 103 |
| Additions | 214 | – | 214 |
| Charge against provision | (10) | (7) | (17) |
| At 31 December 2017 | 282 | 18 | 300 |

22. Deferred tax

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

| | 2017 £000 | 2016 £000 |
|----------------------------------|--------------|--------------|
| Included in provisions (note 21) | <u>18</u> | <u>25</u> |

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

| | 2017 £000 | 2016 £000 |
|--------------------------------|--------------|--------------|
| Accelerated capital allowances | <u>18</u> | <u>25</u> |

23. Employee benefits

Defined contribution plans

The amount recognised in profit or loss as an expense in relation to defined contribution plans was £38,422 (2016: £40,949).

24. Called up share capital

Issued, called up and fully paid

| | 2017 | | 2016 | |
|----------------------------|----------------|------------|----------------|------------|
| | No. | £000 | No. | £000 |
| Ordinary shares of £1 each | <u>180,000</u> | <u>180</u> | <u>180,000</u> | <u>180</u> |

All ordinary shares issued carry equal dividend and voting rights.

25. Reserves

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

Called up share capital - This reserve records the value of the shares issued.

26. Capital commitments

Capital expenditure contracted for but not provided for in the financial statements is as follows:

| | 2017 £000 | 2016 £000 |
|-----------------|--------------|--------------|
| Tangible assets | <u>39</u> | <u>–</u> |

Filon Products Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2017

27. Operating leases

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

| | 2017 £000 | 2016 £000 |
|--|--------------|--------------|
| Not later than 1 year | 44 | 39 |
| Later than 1 year and not later than 5 years | 43 | 49 |
| | <u>87</u> | <u>88</u> |

28. Other financial commitments

There is a cross guarantee in place between all group companies to secure the groups borrowings.

29. Controlling party

The company is a subsidiary of Filon GRP Limited, a company incorporated in England and Wales, for which consolidated accounts are prepared that are publicly available.