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Franklin Hodge Industries Limited

Report and Financial Statements

Year Ended

31 December 2015

Company Number 05005341

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Franklin Hodge Industries Limited

Company Information

Directors A G Bews
 R J Davies
 B E Kerrison
 J C Scott

Company secretary C P Sturge

Registered number 05005341

Registered office Redhill Road
 Hay Mills
 Birmingham
 B25 8EY

Independent auditors BDO LLP
 Two Snowhill
 Birmingham
 B4 6GA

Franklin Hodge Industries Limited

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Franklin Hodge Industries Limited

Strategic Report For the Year Ended 31 December 2015

The directors present their strategic report together with the audited financial statements for the year ended 31 December 2015.

Review of the business

The company's principal activity is the design and supply of site assembled cylindrical tanks for fire water storage applications and rectangular tanks for industrial water storage applications. The company is highly dependant upon the economic activity of the building and building services sectors. As a consequence the turnover has overall remained somewhat flat with the company's turnover at £ 6,941,903 (2014: £6,810,806). This is in line with the expectations stated by the directors in last year's report.

Although the directors anticipate that the difficult trading will continue they do anticipate that there will be some small growth due to the improvement in the UK construction industry.

Key performance indicators

The key drivers of the business are to deliver profitable growth, enter new markets and to focus on improving the net return on sales and to be cash generative to fund future growth aspirations.

Principal risks and uncertainties

Loss of Customers

The company manages the risk of losing customers by the provision of high quality products and value added services, constantly improving the quality of the products that it manufactures and by maintaining strong relationships with key customers.

Pipeline

In the current economic climate, as referred to above, the pipeline for new contracts may be increased or decreased in line with the economic activity in the building and building services sectors and on the plans of the company's other industrial customers. The company is able to adapt its capabilities and resources to meet significant changes arising from the work pipeline.

Credit Risk

Credit risk is managed by making appropriate enquiries of credit reference agencies, insuring all trade debtors, transacting business with overseas customers with Letters of Credit and by monitoring payments against contractual obligations. The company has credit insurance to protect against a catastrophic debtor failure.

Cash flow

The company monitors cash flow as part of its day-to-day control procedures. In addition the Directors regularly review the company's cash flow projections to ensure that appropriate facilities are available as necessary.

Regulatory Risk

The company is exposed to risks arising from non-compliance and relevant laws and regulations. In order to manage this risk, the Board monitors the introduction of new legislation closely, and communicates key developments to managers and staff through internal channels. All relevant legislation is monitored on a departmental level by the relevant management staff, with robust procedures in place to report and act on non-compliance issues.

Franklin Hodge Industries Limited

Strategic report (continued)

Principal risks and uncertainties (continued)

Reputational Risk

The company is exposed to the risk that poor quality products and service may have a detrimental effect on the reputation of the company. In order to manage this risk, the company has robust quality control processes in place, including ISO 9001, to ensure that all products and services meet and exceed the required standards of quality and are fully fit for purpose. This process is monitored by the board of directors and corrective action taken where necessary.

Currency risk

The Company operates in the UK and certain overseas markets. It does have some currency exposure, mainly with the Euro. Where the directors deem that a contract exposes the company to a material exchange risk then a foreign exchange contract is entered into to mitigate the exchange exposure. The balances receivable or payable denominated in foreign currencies at the yearend were not significant.

Interest rate risk

The Company bank account forms part of the Carter Group's banking facilities. Cash balances are pooled with those of other companies within the Carter Group and interest paid/received by the Group on the net balance.

The Company is charged notional interest, by the Group, on the Company's bank balance.

Price risk

The Company is exposed to price risk in regards to metal prices. The current softness in world commodity prices has been beneficial, however due to the competitive nature of the market these cost reductions are often passed on to customers.

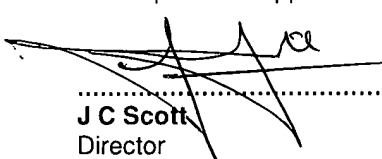
Liquidity and funding

The Directors have prepared forecasts and projections, which cover a period of more than 12 months from the date of approval of the financial statements, taking account of reasonable changes in trading performance. Any short term working capital requirements are funded from the Carter Thermal Industries Limited group banking facility of which the company is a member. After making enquiries, the Directors have a confident expectation that the Company and the group have adequate resources to continue in operational existence for the foreseeable future, and the Company have continued support from the group for the foreseeable future.

Health and safety

The company continues to develop its health and safety processes for the benefit of its employees and customers. All of our policies are continually reviewed and updated to ensure that they remain appropriate for the protection of our business, the environment and the ethical bedrock on which we trade.

This report was approved by the board on 26 July 2016 and signed on its behalf.



.....
J C Scott
Director

Franklin Hodge Industries Limited

Directors' Report For the Year Ended 31 December 2015

The directors present their report and the financial statements for the year ended 31 December 2015.

Results and dividends

The statement of comprehensive income is set out on page 8 and shows the loss for the year.

The directors do not recommend the payment of a final dividend. No interim dividends were paid during the year.

Disabled employees

Full and fair consideration is given to applications for employment from disabled persons and to continuing the employment of those who become disabled while employed. The policy is to give equal opportunity for training, career development and promotion.

Employee involvement

Employee representatives are informed of the economic factors affecting the performance of the company by means of regular meetings with management.

Directors

The directors who served during the year were:

A G Bews
R J Davies
B E Kerrison
J C Scott
S V Hansen (appointed 15 June 2015, resigned 29 February 2016)

Dividends paid

There were no dividends paid in the year under review (2014 - £NIL).

Research and development activities

The company undertakes research and development activities in relation to product development. All research and development expenditure is expensed in the income statement as it is incurred.

Disclosure of information to auditors

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

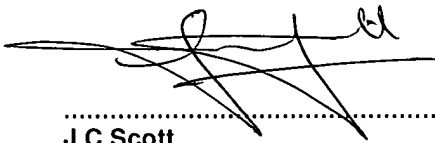
Franklin Hodge Industries Limited

Directors' Report For the Year Ended 31 December 2015

Auditors

BDO LLP have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

This report was approved by the board on 26 July 2016 and signed on its behalf.

A handwritten signature in black ink, appearing to be 'J C Scott', is written over a horizontal dotted line.

J C Scott
Director

Franklin Hodge Industries Limited

Directors' Responsibilities Statement For the Year Ended 31 December 2015

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

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

In preparing these financial statements the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent; 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, to disclose with reasonable accuracy at any time the financial position of the company and to 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.

Franklin Hodge Industries Limited

Independent Auditor's report to the members of Franklin Hodge Industries Limited For the Year Ended 31 December 2015

We have audited the financial statements of Franklin Hodge Industries Limited for the year ended 31 December 2015 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

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

Respective responsibilities of directors and auditors

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the FRC's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2015 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the strategic report and directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Franklin Hodge Industries Limited

Independent Auditor's report to the members of Franklin Hodge Industries Limited For the Year Ended 31 December 2015

Matters on which we are required to report by exception

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

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

SPC LR
27 25 2016

Thomas Lawton (Senior statutory auditor)
for and on behalf of BDO LLP, Statutory auditor
Birmingham
United Kingdom

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Franklin Hodge Industries Limited

Statement of Comprehensive Income For the Year Ended 31 December 2015

	Note	2015 £	2014 £
Turnover	3	6,941,903	6,810,806
Change in stocks of finished goods and work in progress		98,732	138,060
Raw materials and consumables		(4,367,061)	(4,564,300)
Other external charges		(927,433)	(808,014)
Staff costs	5	(1,631,041)	(1,544,271)
Depreciation and amortisation	4	(46,001)	(53,106)
Earnings/(loss) before interest, tax and exceptional items		69,099	(20,825)
Exceptional costs	14	(2,015,135)	-
Operating loss		(1,946,036)	(20,825)
Interest receivable and similar income	6	2,223	5,309
Loss before tax		(1,943,813)	(15,516)
Tax on loss	7	(17,389)	10,387
Loss for the year		(1,961,202)	(5,129)
Other comprehensive income for the year		-	-
Total comprehensive income for the year		<u>(1,961,202)</u>	<u>(5,129)</u>

The notes on pages 12 to 28 form part of these financial statements.

Franklin Hodge Industries Limited
Registered number:05005341

Statement of Financial Position
As at 31 December 2015

	Note	2015 £	2014 £
Fixed assets			
Intangible assets	8	-	27,019
Tangible assets	9	128,520	90,922
Investments	10	2,594	2,594
		<u>131,114</u>	<u>120,535</u>
Current assets			
Stocks	11	514,551	653,733
Debtors: Amounts falling due within one year	12	1,378,999	2,128,818
Cash at bank and in hand		972,721	402,555
		<u>2,866,271</u>	<u>3,185,106</u>
Creditors: Amounts falling due within one year	13	(1,658,649)	(2,018,135)
Net current assets		<u>1,207,622</u>	<u>1,166,971</u>
Total assets less current liabilities		<u>1,338,736</u>	<u>1,287,506</u>

Franklin Hodge Industries Limited
Registered number:05005341

Statement of Financial Position (continued)
As at 31 December 2015

Creditors: Amounts falling due after more than one year

Creditors: amounts falling due after more than one year

14

2,015,135

-

Provisions for liabilities

Provisions for liabilities

16

71,277

73,980

Capital and reserves

Called up share capital
Profit and loss account

17

2,500
(750,176)

2,500
1,211,026

(747,676)

1,213,526

Total equity, long term liabilities and provisions

1,338,736

1,287,506

The financial statements were approved and authorised for issue by the board and were signed on its behalf on

26 July 2016

.....
J C Scott
Director

The notes on pages 12 to 28 form part of these financial statements.

Franklin Hodge Industries Limited

Statement of Changes in Equity As at 31 December 2015

	Share capital £	Retained earnings £	Total equity £
At 1 January 2015	2,500	1,211,026	1,213,526
Comprehensive income for the year			
Loss for the year	-	(1,961,202)	(1,961,202)
Total comprehensive income for the year	-	(1,961,202)	(1,961,202)
At 31 December 2015	2,500	(750,176)	(747,676)

Statement of Changes in Equity As at 31 December 2014

	Share capital £	Retained earnings £	Total equity £
At 1 January 2014	2,500	1,216,155	1,218,655
Comprehensive income for the year			
Loss for the year	-	(5,129)	(5,129)
Total comprehensive income for the year	-	(5,129)	(5,129)
At 31 December 2014	2,500	1,211,026	1,213,526

The notes on pages 12 to 28 form part of these financial statements.

Franklin Hodge Industries Limited

Notes to the Financial Statements For the Year Ended 31 December 2015

1. Accounting policies

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland and the Companies Act 2006.

Information on the impact of first time adoption of FRS 102 is given in note 23.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 2).

In preparing the financial statements, advantage has been taken of the following disclosure exemptions available within FRS 102:

- A cash flow statement has not been presented
- Certain financial instrument disclosures have not been presented

The following principal accounting policies have been applied:

1.2 Associates and joint ventures

Associates and Joint Ventures are held at cost less impairment.

1.3 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Sale of goods

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

- the Company has transferred the significant risks and rewards of ownership to the buyer;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the transaction;
- the costs incurred or to be incurred in respect of the transaction can be measured reliably

Franklin Hodge Industries Limited

Notes to the Financial Statements For the Year Ended 31 December 2015

1. Accounting policies (continued)

1.3 Revenue (continued)

Rendering of services

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably, and;
- the costs incurred and the costs to complete the contract can be measured reliably.

1.4 Interest receivable

Interest receivable is recognised in the Statement of Comprehensive Income using the effective interest method.

1.5 Intangible assets

Goodwill represents the excess of the cost of a business combination over the fair value of the Company's share of the net identifiable assets of the acquiree at the date of acquisition.

Subsequent to initial recognition, goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight line basis to the Statement of Comprehensive Income over its useful life.

1.6 Tangible assets and depreciation

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Company adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the Company. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method. The estimated useful lives range as follows:

The estimated useful lives range as follows:

Plant and machinery	-	5-10 years
Motor vehicles	-	4 years
Fixtures and fittings	-	3-10 years

Franklin Hodge Industries Limited

Notes to the Financial Statements For the Year Ended 31 December 2015

1. Accounting policies (continued)

1.6 Tangible assets and depreciation (continued)

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other operating income' in the statement of comprehensive income.

1.7 Impairment of fixed assets and goodwill

Assets that are subject to depreciation or amortisation are assessed at each reporting date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets that have been previously impaired are reviewed at each reporting date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased. The directors have considered the value of the goodwill and assessed that there is no longer a value attributable. The impairment loss of £22,699 has been recognised immediately as a loss.

1.8 Stocks

Stocks are stated at the lower of cost and net realisable value being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads, less provisions for losses where necessary and less progress claims received and receivable.

At each reporting date, inventories are assessed for impairment. If inventory is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

1.9 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

Franklin Hodge Industries Limited

Notes to the Financial Statements For the Year Ended 31 December 2015

1. Accounting policies (continued)

1.10 Financial instruments

The Company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities such as trade and other accounts receivable and payable, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Financial assets

Financial assets comprise cash at bank and in hand, trade debtors, other debtors, and amounts owed by group undertakings; these are initially recorded at cost on the date they originate and are subsequently recorded at amortised cost under the effective interest method.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of Comprehensive Income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the reporting date.

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

Financial liabilities

Financial liabilities comprise trade creditors, other creditors, amounts owed to group undertakings and accruals. These are initially recorded at cost on the date they originate, and are subsequently carried at amortised cost under the effective interest method.

1.11 Foreign currency translation

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of Comprehensive Income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Statement of Comprehensive Income within 'other operating income'.

Franklin Hodge Industries Limited

Notes to the Financial Statements For the Year Ended 31 December 2015

1. Accounting policies (continued)

1.12 Operating leases: Lessee

Rentals paid under operating leases are charged to the profit or loss on a straight line basis over the period of the lease.

1.13 Pension

The company is a participating employer in the Carter Thermal Industries Limited Pension Scheme, Carter Executive Pension Plan and the Carter Money Purchase Plan. Details of the most recent actuarial valuation of the schemes are set out in the financial statements of the parent company, Carter Thermal Industries Limited.

Retirement benefits to employees are provided by defined benefit and contribution schemes which are funded by contributions from the company and employees. Payments are made either to pension trusts which are financially separate from the company or to insurance companies. Payments to the defined benefit scheme which are made in accordance with periodic calculations by professionally qualified actuaries are charged to the profit and loss account. As the company's share of the net assets and liabilities of the group scheme cannot be separately identified, the company accounts for its pension contributions to the group on a defined contribution basis.

Contributions to the defined contribution and defined benefit pension schemes are charged to profit or loss in the year in which they become payable.

1.14 Holiday pay accrual

A liability is recognised to the extent of any unused holiday pay entitlement which has accrued at the balance sheet date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the balance sheet date.

1.15 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Statement of Comprehensive Income in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Statement of Financial Position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of Financial Position.

Franklin Hodge Industries Limited

Notes to the Financial Statements For the Year Ended 31 December 2015

1. Accounting policies (continued)

1.16 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income, except that a change attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

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

Deferred balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of Financial Position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

1.17 Exceptional items

Exceptional items are transactions that fall within the ordinary activities of the Company but are presented separately due to their size or incidence.

Franklin Hodge Industries Limited

Notes to the Financial Statements For the Year Ended 31 December 2015

2. Judgements in applying accounting policies and key sources of estimation uncertainty

In preparing these financial statements, the directors have had to make judgements, estimates and assumptions that effect the application of policies and reported amounts of assets, liabilities, income and expenses.

The estimates and associated assumptions are based on historic experiences and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities and are not readily apparent from other sources. Actual results may differ from these estimates. The judgements, estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are:

Intangible assets and goodwill

Intangible assets and goodwill are amortised over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

Tangible fixed assets

Tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

Stock provisions

At each reporting date stock is assessed for impairment. If stock is impaired the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in the Statement of Comprehensive Income.

Trade debtors

At each reporting date, trade debtors are assessed for recoverability. If there is any evidence of impairment the carrying amount of the debtor is reduced to its recoverable amount. The impairment loss is recognised immediately in the Statement of Comprehensive Income.

Guarantee provision

The Company provides for guarantee costs which the company is obliged to make on certain sales. The provision is management's best estimate of the claims which are likely to be made within the forthcoming annual guarantee period. The guarantee period is typically one year in duration.

Franklin Hodge Industries Limited

Notes to the Financial Statements For the Year Ended 31 December 2015

3. Analysis of turnover

Analysis by geographical market:

	2015 £	2014 £
United Kingdom	4,615,735	4,587,032
Europe	1,387,082	1,196,893
Rest of the world	939,086	1,026,881
	<u>6,941,903</u>	<u>6,810,806</u>

An analysis of turnover by class of business is as follows:

	2015 £	2014 £
Sale of goods and integrated services	5,901,472	5,777,181
Provision of services	1,040,431	1,033,625
	<u>6,941,903</u>	<u>6,810,806</u>

4. Operating loss

The operating loss is stated after charging:

	2015 £	2014 £
Exceptional costs	2,015,135	-
Research & development charged as an expense	22,686	-
Depreciation of tangible fixed assets	41,681	48,786
Amortisation of intangible assets, including goodwill	4,320	4,320
Impairment of intangible assets	22,699	-
Exchange differences	8,868	-
Defined contribution pension cost	<u>70,194</u>	<u>66,066</u>

Franklin Hodge Industries Limited

Notes to the Financial Statements For the Year Ended 31 December 2015

5. Employees

Staff costs were as follows:

	2015 £	2014 £
Wages and salaries	1,434,984	1,348,214
Social security costs	129,991	129,991
Other pension costs	66,066	66,066
	<u>1,631,041</u>	<u>1,544,271</u>

The average monthly number of employees, including the directors, during the year was as follows:

	2015 No.	2014 No.
Production	19	18
Sales and administration	24	23
	<u>43</u>	<u>41</u>

6. Interest receivable

	2015 £	2014 £
Other interest receivable	2,223	5,309
	<u>2,223</u>	<u>5,309</u>

Franklin Hodge Industries Limited

Notes to the Financial Statements For the Year Ended 31 December 2015

7. Taxation

	2015 £	2014 £
Corporation tax		
Current tax on loss for the year	31,463	20,749
Adjustments in respect of previous periods	(5,929)	(29,293)
	<u>25,534</u>	<u>(8,544)</u>
Deferred tax		
Origination and reversal of timing differences	(9,528)	(1,843)
Changes to tax rates	1,236	-
Adjustment in respect of prior year	147	-
	<u>(8,145)</u>	<u>(1,843)</u>
Total deferred tax		
	<u>17,389</u>	<u>(10,387)</u>
Taxation on profit/(loss) on ordinary activities		

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2014 -lower than) the standard rate of corporation tax in the UK of 20.25% (2014 -21.49%). The differences are explained below:

	2015 £	2014 £
(Loss)/profit on ordinary activities before tax	<u>(1,943,813)</u>	<u>(15,516)</u>
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20.25% (2014 -21.49%)	(393,622)	(3,334)
Effects of:		
Expenses not deductible for tax purposes	408,885	1,426
Decelerated capital allowances	-	1,980
Adjustment to tax charge in respect of previous periods	(5,782)	(29,293)
Other short term timing differences	16,200	20,677
Deferred tax	(8,292)	(1,843)
Total tax charge/(credit) for the year	<u>17,389</u>	<u>(10,387)</u>

Factors that may affect future tax charges

A number of changes to the UK corporation tax system were announced in the July 2015 Budget, including that the main rate of corporation tax would reduce to 19% with effect from 1 April 2017 and 18% with effect from 1 April 2020.

Franklin Hodge Industries Limited

Notes to the Financial Statements For the Year Ended 31 December 2015

8. Intangible fixed assets

	Purchased goodwill £
Cost	
At 1 January 2015	<u>72,380</u>
Amortisation	
At 1 January 2015	45,361
Provided for the year	4,320
Impairment charge	<u>22,699</u>
At 31 December 2015	<u>72,380</u>
Net book value	
At 31 December 2015	<u><u>-</u></u>
At 31 December 2014	<u><u>27,019</u></u>

Franklin Hodge Industries Limited

Notes to the Financial Statements For the Year Ended 31 December 2015

9. Tangible fixed assets

	Plant and machinery £	Motor vehicles £	Fixtures and fittings £	Total £
Cost or valuation				
At 1 January 2015	73,676	285,484	121,767	480,927
Additions	6,727	79,158	5,318	91,203
Disposals	-	(63,145)	-	(63,145)
At 31 December 2015	80,403	301,497	127,085	508,985
Depreciation				
At 1 January 2015	64,636	236,144	89,225	390,005
Charge for the year	8,224	27,542	5,915	41,681
Disposals	-	(51,221)	-	(51,221)
At 31 December 2015	72,860	212,465	95,140	380,465
At 31 December 2015	7,543	89,032	31,945	128,520
At 31 December 2014	9,040	49,340	32,542	90,922

10. Fixed asset investments

	Joint ventures £
Cost or valuation	
At 1 January 2015	2,594
At 31 December 2015	2,594
At 31 December 2014	2,594

Franklin Hodge Industries Limited entered into a joint venture arrangement on 17 May 2011 which created an investment in Franklin Hodge (Asia) PTE Limited. The investment is recognised at cost.

Franklin Hodge Industries Limited

Notes to the Financial Statements For the Year Ended 31 December 2015

11. Stocks

	2015 £	2014 £
Raw materials and consumables	317,732	459,256
Work in progress	199,606	300,354
Less: payments on account	(2,787)	(105,877)
	<u>514,551</u>	<u>653,733</u>

Stock recognised in cost of sales during the year as an expense was £1,862,375 (2014: £1,667,441).

A reduction in the stock provision of £3,593 was recognised in cost of sales against stock during the year. In 2014 an impairment loss of £Nil was recognised in cost of sales against stock during the year due to slow-moving and obsolete stock.

There is no material difference between the replacement cost of stocks and the amounts stated above.

12. Debtors

	2015 £	2014 £
Trade debtors	1,337,349	1,955,818
Amounts owed by group undertakings	-	122,247
Other debtors	1,627	1,381
Prepayments and accrued income	19,371	15,242
Amounts owed by related parties	-	21,623
Deferred taxation	20,652	12,507
	<u>1,378,999</u>	<u>2,128,818</u>

All amounts shown under debtors fall due for payment within one year.

The impairment loss recognised for the period in respect of bad and doubtful debts was £205,542 (2014 - £Nil).

Franklin Hodge Industries Limited

Notes to the Financial Statements For the Year Ended 31 December 2015

13. Creditors: Amounts falling due within one year

	2015 £	2014 £
Payments received on account	21,996	105,877
Trade creditors	745,975	1,011,926
Amounts owed to group undertakings	531,745	536,725
Corporation tax	8,571	22,000
Other taxation and social security	45,210	39,205
Group relief payable	22,892	10,260
Other creditors	9,702	12,086
Accruals and deferred income	272,558	280,056
	<u>1,658,649</u>	<u>2,018,135</u>

14. Creditors: Amounts falling due after more than one year

	2015 £	2014 £
CMA fine payable	2,015,135	-
	<u>2,015,135</u>	<u>-</u>

In settlement with the Competition and Markets Authority (CMA) the company has agreed to pay their apportionment of the fines imposed for operating in the galvanised steel tank market cartel, which operated between 2005 and 2012. Although the level of the fine has now been fixed the payment date with the CMA has yet to be agreed but will not fall due for payment before February 2017.

15. Deferred taxation

	Deferred tax £
At 1 January 2015	12,507
Charged to the profit or loss	8,145
At 31 December 2015	<u>20,652</u>

The deferred tax asset is made up as follows:

	2015 £	2014 £
Accelerated capital allowances	(10,775)	(12,507)
Short term timing differences	(9,877)	-
	<u>(20,652)</u>	<u>(12,507)</u>

Franklin Hodge Industries Limited

Notes to the Financial Statements For the Year Ended 31 December 2015

16. Provisions for liabilities

	Guarantee costs £
At 1 January 2015	73,980
Utilised in year	(2,703)
At 31 December 2015	<u>71,277</u>

The guarantee provision is for guarantee costs which the company is obliged to make under guarantee on certain sales. The guarantee period is typically one year in duration.

17. Share capital

	2015 £	2014 £
Allotted, called up and fully paid		
2,500- Shares shares of £1 each	<u>2,500</u>	<u>2,500</u>

Franklin Hodge Industries Limited

Notes to the Financial Statements For the Year Ended 31 December 2015

18. Pensions

The company participates in two group defined benefit schemes, the Carter Thermal Industries Limited Pension Scheme and the Carter Executive Plan ("the Group Schemes"). The schemes are closed to new members and future accrual. As the schemes assets and liabilities are managed on a unified basis, it is not possible to identify the company's share of assets and liabilities in the defined benefit scheme on a consistent and reasonable basis. Therefore, in accordance with FRS012 (multi-employer exemption), the scheme is accounted for as if it was a defined contribution scheme.

Contributions are paid to the trustees of the Group Schemes on the basis of advice from an independent professionally qualified actuary who carries out a valuation of the Group Schemes every three years. The most recent formal valuation of the Carter Thermal Industries Limited Pension Scheme was carried out as at 31 December 2012 and Carter Executive Plan as at 31 December 2011 and was updated on an approximate basis to 31 December 2015 by a qualified actuary.

There were no contributions made to the Carter Thermal Industries Limited Pension Scheme or Carter Executive Plan. Payments to defined contribution schemes amounted to £70,194 (2014 - £66,064).

The valuation of the two schemes at 31 December 2015, calculated by the actuary on an FRS17 projected unit basis, shows a deficit on the Carter Thermal Industries Limited Pension Scheme of £2,197,000 (2014 - £2,290,000) and on the Carter Executive Plan of £1,062,000 (2014 - £1,863,000).

Directors expect future contributions to be consistent with those made in the current year.

For the purpose of these accounts, these figures are illustrative only and do not impact on the result or the statement of financial position of the company. It should also be noted that these figures include a proportion of pension assets and liabilities relating to other group companies which also participate in the scheme. It has not been possible to identify the share of the deficits which relates solely to Franklin Hodge Industries Limited. Full details of the pension schemes are given in the accounts of the ultimate parent company.

19. Contingent liabilities

The company has given an unlimited guarantee in respect of the group banking facility which amounted to £1,686,654 at 31 December 2015 (2014 - £659,000). Details of the banking facility are given in the accounts of Carter Thermal Industries Limited.

Franklin Hodge Industries Limited

Notes to the Financial Statements For the Year Ended 31 December 2015

20. Commitments under operating leases

At 31 December 2015 the Company had annual commitments under non-cancellable operating leases as follows:

	2015 £	2014 £
Within one year	373	5,787
In two to five years	26,925	-
After five years	-	26,925
Total	27,298	32,712

21. Related party disclosures

The company is a wholly owned subsidiary of Carter Thermal Industries Limited and has taken advantage of the exemption conferred by section 33.1A of FRS102 not to disclose transactions with Carter Thermal Industries Limited or other wholly owned subsidiaries within the group

22. Ultimate parent company and parent undertaking of larger group

The immediate parent company is Carter Thermal Industries Limited.

The ultimate parent company and controlling party is Longdon Estates Limited, a company registered in England and Wales. Copies of the group financial statements of Longdon Estates may be obtained from The Registrar of Companies, Companies House, Crown Way, Maindy, Cardiff. CF14 3UZ.

The largest group in which the results of the company are consolidated is that headed by Longdon Estates Limited, incorporated in England and Wales. The smallest group in which they are consolidated is that headed by Carter Thermal Industries Limited, incorporated in England and Wales. The consolidated accounts are available to the public and may be obtained from the above address.

23. First time adoption of FRS 102

There have been no changes to equity reported at 1 January 2014 or 31 December 2014 or the results for the year the ended as a result of the first time adoption of FRS 102.