

**Franklin Hodge Industries Limited**

Report and Financial Statements

Year Ended

31 December 2017

Company Number 05005341



# Franklin Hodge Industries Limited

## Report and financial statements for the year ended 31 December 2017

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### Directors

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

### Secretary

C P Sturge

### Registered office

Redhill Road, Hay Mills, Birmingham, B25 8EY

### Company number

05005341

### Auditors

BDO LLP, Two Snowhill, Birmingham, B4 6GA

# Franklin Hodge Industries Limited

## Strategic report for the year ended 31 December 2017

### Introduction

The directors present their strategic report together with the audited financial statements for the year ended 31 December 2017.

The company's principal activity is the design, manufacture, installation and refurbishment of liquid storage tanks.

### 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, as well as silo tanks for grain storage. The company saw a healthy growth in sales this year as a consequence the turnover has seen a 25.5% increase from last year at £8,131,442 (2016 - £6,481,383).

The Directors believe that trading will increase again in 2018.

### Key performance indicators

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

Key performance indicators in the year were as follows:

	2017	2016
Turnover	<b>£8,131,442</b>	£6,481,383
Operating profit	<b>£164,400</b>	£96,585
Operating profit %	<b>2.0%</b>	1.5%
Profit before tax	<b>£166,984</b>	£100,284

### 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.

# Franklin Hodge Industries Limited

## Strategic report for the year ended 31 December 2017 (*continued*)

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### Principal risks and uncertainties (*continued*)

#### *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.

#### *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. Contracts are negotiated taking into account expected prices and discussions with 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 maintain and develop its health and safety processes for the benefit of its employees and customers. All policies are continually reviewed and updated to ensure that they remain appropriate for the protection of the business, the environment and the ethical bedrock on which the company trades.

# Franklin Hodge Industries Limited

Strategic report  
for the year ended 31 December 2017 (*continued*)

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## Approval

This strategic report was approved on behalf of the Board on 23 August 2018.

J C Scott  
Director

A handwritten signature in black ink, consisting of a series of loops and strokes, positioned to the right of the name J C Scott.

# Franklin Hodge Industries Limited

## Directors' Report for the year ended 31 December 2017

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The directors present their report together with the audited financial statements for the year ended 31 December 2017.

### Results and dividends

The statement of comprehensive income is set out on page 10 and shows the profit for the year.

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

### Directors

The directors who served during the year were:

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

### Financial risk management policy

The directors have reviewed the financial risk management objectives and policies of the company and, where there is significant exposure to financial risks, the group policy laid down by the parent company, Carter Thermal Industries Limited, is followed. It also does not enter into any speculative financial instruments. Appropriate trade terms are negotiated with suppliers and customers and management reviews these terms and the trade relationships.

### Financial Instruments

The company's principal financial instruments comprise cash and balances with group undertakings and various items such as trade debtors and trade creditors that arise directly from its operations.

The main risk associated with the group's financial assets and liabilities are set out below.

#### Price risk

The group does not deem the exposure to price changes in operating activity costs to be significant enough to consider any hedging activity to be necessary.

#### Credit risk

The group's credit risk is primarily attributed to its trade receivables, with exposure spread over a large number of counterparties and customers. The group aims to minimise such losses with a key focus on debtor collection in order to minimise bad debt exposure.

#### Liquidity risk

The group aims to mitigate liquidity risk by managing cash generated by its operations. Flexibility is maintained by retaining surplus cash in readily accessible bank accounts.

### Employment of disabled persons

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.

# Franklin Hodge Industries Limited

## Directors' Report for the year ended 31 December 2017 (*continued*)

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### Employee involvement

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

### 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.

### Directors Responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). Under company law the directors must not approve the financial statements unless 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;
- state whether applicable UK accounting standards have been followed, subject for any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions, 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.

### 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.

### Qualifying third party indemnity provisions

The company maintains liability insurance for directors and officers as permitted by section 234 of the Companies Act 2006.

# Franklin Hodge Industries Limited

## Directors' Report for the year ended 31 December 2017 (*continued*)

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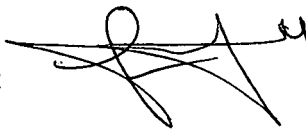
### Auditors

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

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.

### On behalf of the Board

J C Scott  
Director



Date: 23 August 2018



# Franklin Hodge Industries Limited

## Independent auditor's report to the members of Franklin Hodge Industries Limited

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### Opinion

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

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 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; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### Basis for opinion

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

### 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.

# Franklin Hodge Industries Limited

## Independent auditor's report (*continued*)

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### Other information

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

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

We have nothing to report in this regard.

### 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 directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and 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 and director's 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.

# Franklin Hodge Industries Limited

## Independent auditor's report (*continued*)

### Responsibilities of Directors

As explained more fully in the directors' report, 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 determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

### Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located at the Financial Reporting Council's website at:

<https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

### Use of our report

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



Thomas Lawton (*senior statutory auditor*)  
For and on behalf of BDO LLP, statutory auditor  
Birmingham  
United Kingdom

Date



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 2017

	Note	2017 £	2016 £
<b>Turnover</b>	3	<b>8,131,442</b>	6,481,383
Change in stocks of finished goods and work in progress		(151,899)	(56,036)
Raw materials and consumables		(5,263,285)	(3,881,249)
Other external charges		(628,554)	(707,015)
Staff costs	6	(1,855,782)	(1,684,193)
Depreciation and amortisation	4	(67,522)	(56,305)
<b>Operating profit</b>	4	<b>164,400</b>	96,585
Interest receivable and similar income	8	2,584	3,699
<b>Profit before tax</b>		<b>166,984</b>	100,284
Taxation on profit on ordinary activities	9	(35,441)	(21,381)
<b>Profit and total comprehensive income for the year</b>		<b>131,543</b>	78,903

There is no other comprehensive income in the current or prior year.

All amounts relate to continuing activities.

The notes on pages 13 to 28 form part of these financial statements.

# Franklin Hodge Industries Limited

## Statement of financial position as at 31 December 2017

<i>Company number 05005341</i>	<i>Note</i>	<b>2017</b> £	<b>2017</b> £	<b>2016</b> £	<b>2016</b> £
<b>Fixed assets</b>					
Intangible assets	10		-		-
Tangible assets	11		<b>149,204</b>		203,786
Investments	12		<b>2,594</b>		2,594
			<hr/>		<hr/>
			<b>151,798</b>		206,380
<b>Current assets</b>					
Stocks	13	<b>544,550</b>		392,651	
Debtors	14	<b>2,052,373</b>		1,644,941	
Cash at bank and in hand		<b>460,209</b>		968,614	
		<hr/>		<hr/>	
		<b>3,057,132</b>		3,006,206	
<b>Creditors: amounts falling due within one year</b>	15	<b>(2,750,605)</b>		(2,543,965)	
		<hr/>		<hr/>	
<b>Net current assets</b>			<b>306,527</b>		462,241
			<hr/>		<hr/>
<b>Total assets less current liabilities</b>			<b>458,325</b>		668,621
<b>Creditors: amounts falling due after more than one year</b>	16		<b>(980,114)</b>		(1,325,121)
<b>Provisions for liabilities</b>	19		<b>(15,441)</b>		(12,273)
			<hr/>		<hr/>
			<b>(537,230)</b>		(668,773)
			<hr/>		<hr/>
<b>Capital and reserves</b>					
Called up share capital	20		<b>2,500</b>		2,500
Profit and loss account	17		<b>(539,730)</b>		(671,273)
			<hr/>		<hr/>
<b>Shareholders' funds</b>			<b>(537,230)</b>		(668,773)
			<hr/>		<hr/>

The financial statements were approved by the Board of Directors and authorised for issue on 23 August 2018.

J C Scott  
Director



The notes on pages 13 to 28 form part of these financial statements.

# Franklin Hodge Industries Limited

## Statement of changes in equity for the year ended 31 December 2017

	Share capital £	Retained earnings £	Total equity £
<b>1 January 2017</b>	<b>2,500</b>	<b>(671,273)</b>	<b>(668,773)</b>
<b>Comprehensive income for the year</b>			
Profit for the year	-	131,543	131,543
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>131,543</b>	<b>131,543</b>
<b>31 December 2017</b>	<b>2,500</b>	<b>(539,730)</b>	<b>(537,230)</b>

## Statement of changes in equity for the year ended 31 December 2016

	Share capital £	Retained earnings £	Total equity £
<b>1 January 2016</b>	<b>2,500</b>	<b>(750,176)</b>	<b>(747,676)</b>
<b>Comprehensive income for the year</b>			
Profit for the year	-	78,903	78,903
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>78,903</b>	<b>78,903</b>
<b>31 December 2016</b>	<b>2,500</b>	<b>(671,273)</b>	<b>(668,773)</b>

The notes on pages 13 to 28 form part of these financial statements.

# Franklin Hodge Industries Limited

## Notes to the financial statements for the year ended 31 December 2017

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### 1 Accounting policies

#### 1.1 Basis of preparation of financial statements

Franklin Hodge Industries Limited is a company incorporated in England and Wales under the Companies Act. The address of the registered office is given on the contents page and the nature of the company's operations and its principal activity is set out in the strategic report.

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.

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).

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 11 Financial Instruments paragraphs 11.39 to 11.48A;
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.29;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Carter Thermal Industries Limited as at 31 December 2017 and these financial statements may be obtained from Companies House as per note 25.

The following principal accounting policies have been applied:

#### 1.2 Going concern

The directors have prepared forecasts and projections, which cover a period of more than 12 months from the date of the 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 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. The directors of the parent company have issued a letter of support to confirm that the parent company will continue to provide financial support for at least twelve months from the date these financial statements are signed.

#### 1.3 Associates and joint ventures

Associates and Joint Ventures are held at cost less impairment. Profits distributed to the company are added to the cost of the Joint Venture. Losses are limited to the value of the investment and any further liabilities for contractual or constructive obligations are provided for at the point the company become a party to the arrangement.

#### 1.4 Turnover

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the Company and the turnover can be reliably measured. Turnover is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes.

# Franklin Hodge Industries Limited

## Notes to the financial statements for the year ended 31 December 2017 (*continued*)

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### 1 Accounting policies (*continued*)

#### Turnover (*continued*)

The following criteria must also be met before revenue is recognised:

##### Sale of goods

Turnover 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 turnover 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

##### Rendering of services

Turnover 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 turnover 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.

#### 1.5 Interest receivable

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

#### 1.6 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.

#### 1.7 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. Repair 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 the estimated useful lives, using the straight-line method.



# Franklin Hodge Industries Limited

## Notes to the financial statements for the year ended 31 December 2017 (*continued*)

### 1 Accounting policies (*continued*)

#### 1.7 Tangible assets and depreciation (*continued*)

The estimated useful lives range as follows:

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

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.

#### 1.8 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.

#### 1.9 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.

#### 1.10 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.

#### 1.11 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.

# Franklin Hodge Industries Limited

## Notes to the financial statements for the year ended 31 December 2017 (*continued*)

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### 1 Accounting policies (*continued*)

#### *Financial instruments (continued)*

##### **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.

#### **1.12 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 2017 (*continued*)

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### 1 Accounting policies (*continued*)

#### 1.13 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.

#### 1.14 Pension

The company is a participating employer in the 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.

Carter Money Purchase Plan ceased to accept contributions with effect from 1 July 2017 and all members' benefits were transferred to National Pensions Trust on 18 September 2017.

#### 1.15 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 and accrued at the balance sheet date.

#### 1.16 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 2017 (*continued*)

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### 1 Accounting policies (*continued*)

#### 1.17 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.

### 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:

#### 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 reassessing 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.

# Franklin Hodge Industries Limited

## Notes to the financial statements for the year ended 31 December 2017 (continued)

### 2 Judgements in applying accounting policies and key sources of estimation uncertainty (continued)

#### 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.

#### Warranty 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.

### 3 Turnover

	2017 £	2016 £
Analysis by class of geographical market:		
United Kingdom	4,874,809	3,835,021
Europe	2,032,780	1,397,346
Rest of the world	1,223,853	1,249,016
	<u>8,131,442</u>	<u>6,481,383</u>
An analysis of turnover by class of business is as follows:		
Sale of goods and integrated services	6,871,068	5,481,008
Provision of services	1,260,374	1,000,375
	<u>8,131,442</u>	<u>6,481,383</u>

Turnover is wholly attributable to the principal activity of the company.

# Franklin Hodge Industries Limited

## Notes to the financial statements for the year ended 31 December 2017 (*continued*)

### 4 Operating Profit

	2017 £	2016 £
This is arrived at after charging:		
Research and development charged as an expense	8,640	794
Operating lease expense	26,925	26,925
Depreciation of tangible fixed assets	67,522	56,305
Exchange differences	(27,126)	(8,267)
Defined contribution pension cost	70,893	69,784
	<u>          </u>	<u>          </u>

### 5 Auditor's remuneration

	2017 £	2016 £
Fees payable to the company's auditor for the auditing of the company's annual accounts	8,750	8,750
	<u>          </u>	<u>          </u>

### 6 Employees

	2017 £	2016 £
Staff costs consist of:		
Wages and salaries	1,620,923	1,463,070
Social security costs	163,966	151,339
Other pension costs	70,893	69,784
	<u>          </u>	<u>          </u>
	1,855,782	1,684,193
	<u>          </u>	<u>          </u>

The average number of employees (including the directors) during the year was as follows:

	Number	Number
Production	16	19
Administration	27	23
	<u>          </u>	<u>          </u>
	43	42
	<u>          </u>	<u>          </u>

# Franklin Hodge Industries Limited

## Notes to the financial statements for the year ended 31 December 2017 (*continued*)

### 7 Directors' remuneration

	2017 £	2016 £
Directors' emoluments	63,239	61,321
Company contribution to the group personal pension plan	8,484	8,400

There is 1 director in the company's defined contribution pension scheme (2016 - 1) during the year.

The total amount payable to the highest paid director in respect of emoluments was £79,022 (2016 - £67,721). The highest paid director is a member of a defined contribution scheme.

### 8 Interest receivable

	2017 £	2016 £
Other interest receivable	2,584	3,699

### 9 Taxation

	2017 £	2016 £
<i>UK Corporation tax</i>		
Current tax on profit for the year	31,420	10,128
Adjustments in respect of previous periods	6,901	1,479
Total current tax	38,321	11,607
<i>Deferred tax</i>		
Origination and reversal of timing differences	(4,827)	8,863
Effect of change in tax rate	-	1,161
Adjustment in respect of prior year	1,947	(250)
Total deferred tax	(2,880)	9,774
Taxation on profit on ordinary activities	35,441	21,381

The tax assessed for the year is higher than (2016 – higher than) the standard rate of corporation tax in the UK of 19.25% (2016 - 20%). The differences are explained below:

# Franklin Hodge Industries Limited

## Notes to the financial statements for the year ended 31 December 2017 (*continued*)

### 9 *Taxation (continued)*

	2017 £	2016 £
Profit on ordinary activities before tax	166,984	100,286
Profit on ordinary activities at the standard rate of corporation tax in the UK of 19.25 % (2016 – 20%)	32,144	20,057
Effects of:		
Expenses not deductible for tax purposes	308	497
Adjustment to tax charge in respect of prior periods	8,848	1,229
Other	(5,859)	(402)
Total tax charge for the year	35,441	21,381

#### *Factors that may affect future tax charges*

The standard rate of UK corporation tax will reduce to 17% effective 1 April 2020. Accordingly these rates have been used in the calculation of deferred tax balances as at 31 December 2017.

### 10 *Intangible fixed assets*

	Purchased goodwill £
<i>Cost</i>	
At 1 January 2017 and 31 December 2017	72,380
<i>Amortisation</i>	
At 1 January 2017 and 31 December 2017	(72,380)
<i>Net book value</i>	
At 31 December 2017 and 31 December 2016	-



# Franklin Hodge Industries Limited

## Notes to the financial statements for the year ended 31 December 2017 (*continued*)

### 11 Tangible assets

	Plant and machinery £	Motor vehicles £	Fixtures and fittings £	Total £
<i>Cost or valuation</i>				
At 1 January 2017	80,403	362,331	127,085	569,819
Additions	10,840	-	2,100	12,940
Disposals	-	(55,835)	-	(55,835)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2017	<b>91,243</b>	<b>306,496</b>	<b>129,185</b>	<b>526,924</b>
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>				
At 1 January 2017	75,694	188,167	102,172	366,033
Charge for the year	2,333	58,000	7,189	67,522
Disposals	-	(55,835)	-	(55,835)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2017	<b>78,027</b>	<b>190,332</b>	<b>109,361</b>	<b>377,720</b>
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Net book value</i>				
At 31 December 2017	<b>13,216</b>	<b>116,164</b>	<b>19,824</b>	<b>149,204</b>
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2016	4,709	174,164	24,913	203,786
	<hr/>	<hr/>	<hr/>	<hr/>

### 12 Fixed asset investments

	Joint Ventures £
<i>Cost</i>	
At 1 January 2017 and 31 December 2016	<b>2,594</b>
	<hr/>

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 2017 (*continued*)

### 13 Stocks

	2017 £	2016 £
Raw materials and consumables	317,000	259,499
Work in progress	879,710	201,803
Progress claims	(652,160)	(68,651)
	<u>544,550</u>	<u>392,651</u>

Stock recognised in cost of sales during the year as an expense was £2,068,304 (2016 - £1,448,961).

An impairment loss of £24,249 (2016 - £5,736 gain) 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.

### 14 Debtors

	2017 £	2016 £
Trade debtors	1,872,393	1,594,139
Amount owed by group undertakings	7,401	-
Other debtors	24,042	1,437
Prepayments and accrued income	98,347	38,487
Corporation tax	36,432	-
Deferred taxation	13,758	10,878
	<u>2,052,373</u>	<u>1,644,941</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 £291,287 (2016 - £928).

# Franklin Hodge Industries Limited

## Notes to the financial statements for the year ended 31 December 2017 (*continued*)

### 15 Creditors: amounts falling due within one year

	2017 £	2016 £
Payments received on account	34,936	165,547
Trade creditors	931,412	909,900
Amounts owed to group undertakings	1,090,969	617,714
Corporation tax	-	-
Other taxation and social security	86,915	47,957
Group relief payable	39,258	10,128
Other creditors	15,180	12,436
Accruals and deferred income	206,928	90,269
CMA fine payable	345,007	690,014
	<u>2,750,605</u>	<u>2,543,965</u>

On 20 June 2018 the company agreed a variation to the payment profile with Competitions and Market Authority (CMA) to settle the remaining fine in 4 equal 6 monthly instalments commencing in July 2018 with the last instalment being due in January 2020. Accordingly this has been reflected in the financial statements.

### 16 Creditors: amounts falling due after more than one year

	2017 £	2016 £
CMA fine payable (see note 15)	980,114	1,325,121
	<u>980,114</u>	<u>1,325,121</u>

### 17 Reserves

#### Profit & loss account

All other net gains and losses and transactions with owners (e.g. dividends) not recognised elsewhere.

#### Share capital

£1 Ordinary shares which are allotted, called up and fully paid.

# Franklin Hodge Industries Limited

## Notes to the financial statements for the year ended 31 December 2017 (*continued*)

### 18 Deferred taxation

		Deferred tax £
At 1 January 2017		10,878
Credited to the income statement		2,880
		<hr/>
At 31 December 2017		<b>13,758</b>
		<hr/>
The deferred tax asset is made up as follows:		
	2017 £	2016 £
Decelerated capital allowances	12,824	9,944
Short term timing differences	934	934
	<hr/>	<hr/>
	<b>13,758</b>	10,878
	<hr/>	<hr/>

### 19 Provisions for liabilities

	Guarantee cost £
At 1 January 2017	12,273
Charged in year	3,168
Utilised in year	-
	<hr/>
At 31 December 2017	<b>15,441</b>
	<hr/>

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.

### 20 Share capital

	2017 £	2016 £
<b>Allotted, called up and fully paid</b>		
2,500 ordinary shares of £1 each	2,500	2,500
	<hr/>	<hr/>

# Franklin Hodge Industries Limited

## Notes to the financial statements for the year ended 31 December 2017 (continued)

### 21 Pension commitments

The company participates in the group defined benefit scheme, the Carter Executive Plan. The scheme is 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 FRS102, the scheme is accounted for as if it was a defined contribution scheme.

Contributions are paid to the trustees of the Group Scheme 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 Executive Plan as at 31 December 2014 and was updated on an approximate basis to 31 December 2017 by a qualified actuary.

Contributions made to the Carter Executive Plan amounted to £Nil (2016 - £Nil).

The valuation of the scheme at 31 December 2017, calculated by the actuary on an FRS102 projected unit basis, shows a deficit on the Carter Executive Plan of £590,805 (2016 - £1,450,205).

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.

### 22 Contingent liabilities

The company has given an unlimited guarantee in respect of the group banking facility which amounted to £7,362,359 at 31 December 2017 (2016 - £6,208,987). Details of the banking facility are given in the accounts of Carter Thermal Industries Limited.

### 23 Commitments under operating leases

At 31 December 2017 the company had annual commitments under non- cancellable operating leases as follows:

	2017 £	2016 £
Not later than 1 year	26,925	26,925
Later than 1 year and not later than 5 years	80,775	107,700
Later than 5 years	-	-
	<u>107,700</u>	<u>134,625</u>

# Franklin Hodge Industries Limited

## Notes to the financial statements for the year ended 31 December 2017 (*continued*)

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### **24 Related party transactions**

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 FRS 102 not to disclose transactions with Carter Thermal Industries Limited or other wholly owned subsidiaries within the group.

Key management personnel represent the directors of the company as they have responsibility for planning, directing and controlling the activities of the entity, directly or indirectly. During the period, the key management personnel remuneration included within directors' remuneration was £79,022 (2016 - £69,721) (see note 7).

A 50% owned Joint Venture of the company, Franklin Hodge (Asia) PTE Ltd, held outstanding balances with the company at 31 December 2017 of £21,623 (2016 - £21,623) and this is offset within amounts owed to group undertakings per note 15. There were no transactions during the year.

### **25 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.