

ROWE HANKINS (HOLDINGS) LIMITED
DIRECTORS' REPORT AND
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2017

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ROWE HANKINS (HOLDINGS) LIMITED

COMPANY INFORMATION

Directors	T W Hankins M W Hankins L C Crawford
Secretary	M W Hankins
Company number	09059829
Registered office	Power House Parker Street Bury Lancashire BL9 0RJ
Auditor	Royce Peeling Green Limited The Copper Room Deva Centre Trinity Way Manchester M3 7BG
Bankers	National Westminster Bank plc 463 Bury New Road Prestwich Manchester M25 1AB

ROWE HANKINS (HOLDINGS) LIMITED
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ROWE HANKINS (HOLDINGS) LIMITED

STRATEGIC REVIEW

FOR THE YEAR ENDED 31 JULY 2017

The Directors present their Strategic Report for the year ended 31 July 2017.

Review of the business

This year has been a good year in terms of profitability, a reduction in our borrowing as well as a good cash flow. We have been successful in strategically introducing Change Management and achieving a well-controlled increase in turnover, leading to an expanded work force. We have introduced new, more robust, systems especially in Engineering, Production, Stock control and Purchasing.

Three years ago we reported our first trading loss in the thirty year history of the company. The 5 year business plan we wrote at that time has been proven so far to be correct. In short we predicted, last year, to achieve a modest return to profit whilst continuing to invest in development and this year, even though we still heavily invested in plant and new products, we managed to deliver, in round figures, a half million Pound profit. Due to our continued investment in Research and Development, the tax rebates awarded for such expenditure, means we will legitimately pay little corporation tax. In tandem, the shareholders decided not to declare large dividends so most of the capital remains in the company to fuel further expansion. In addition, we have a very healthy forward order book and a range of new products to launch into the market by the middle of next year.

Principal risks and uncertainties

Exchange Rate volatility is always a risk to our profitability, which we mitigate by the forward purchase of foreign currencies. Our forecast sales predictions, based on sound market knowledge and known manufacturing costs, dictate our needs. The introduction of more robust controls and systems has improved the accuracy of our need for currency.

Brexit, thus far, has so far worked in our favour as the lower Pound has made us more competitive in European and American markets and we see a continuing increase in orders. Purely from our business perspective, we do not believe that the outcome of Brexit will greatly affect us but the uncertainty does impact upon some of our customers and some capital projects may be delayed.

Our biggest risk to the business is actually in terms of space. By the end of the next fiscal year we will have to double, at least, the warehouse space for the Cudis division. Plans to meet this requirement are well underway.

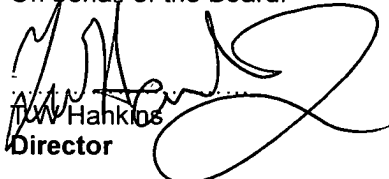
Future developments

The Rail division has been heavily involved in major projects for iWFL, (Intelligent wheel flange lubrication), and iTORFM, (intelligent top of rail friction modification). Our innovative and unique solution to the problems of friction and wear of metal wheels on metal rails has been recognised to cut down energy costs by over 10 percent, reduce wheel noise by over 30 decibels, increase the life of wheels and track by 300% and, thereby, reduce maintenance costs. Also, the risk of derailment is reduced so their introduction produces a safer Railway. The intelligent part of our design allows us to use less lubricant than any other system and yet still provide good, biodegradable lubrication to a whole network. These products will continue to improve our turnover and profitability.

The 5 year plan mentioned earlier had an ultimate combined target for the two divisions of a £1million annual profit. At the mid-point of next year we will change the plan, extend it beyond 2020 and revise it radically. Another way of putting this is that the ultimate target will be achieved in 4 years instead of 5.

This report, three years ago, commenced with the opening lines of Charles Dicken's book "A tale of Two Cities", by stating: "It was the best of times, it was the worst of times". With a slight misquote this report will end with the closing line from the same book: "it is a far, far, better thing we do today than ever before".

On behalf of the Board:


J.W. Hankins
Director

8/2/18

ROWE HANKINS (HOLDINGS) LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 JULY 2017

The directors present their report and financial statements for the year ended 31 July 2017.

Results and dividends

The results for the year are set out on page 6.

Ordinary dividends were paid amounting to £30,000 (2016: £Nil). The directors do not recommend the payment of a final dividend.

Director

The following directors have held office since 1 August 2016:

T W Hankins
M W Hankins
L C Crawford

Auditors

A resolution proposing that Royce Peeling Green Limited be reappointed as auditors of the company and the group will be put at the Annual General Meeting.

Statement of directors' responsibilities

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

Company law requires the director 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), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs 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 judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

Statement of disclosure to auditors

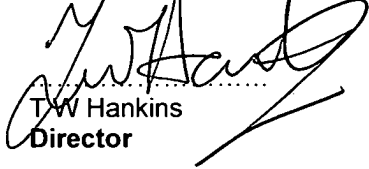
So far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware. Additionally, the directors have taken all steps that they ought to have taken as directors in order to make themselves aware of all relevant information and to establish that the company's auditors are aware of that information.

RIBBLE INVESTMENTS LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2017

By Order of the Board:


T.W. Hankins
Director

8/2/18

ROWE HANKINS (HOLDINGS) LIMITED

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF ROWE HANKINS (HOLDINGS) LIMITED

Opinion

We have audited the financial statements of Rowe Hankins (Holdings) Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 July 2017 which comprise the Consolidated Profit and Loss Account, Group and Company Balance Sheets, Group and Company Statements of Changes in Equity, Consolidated Cash Flow Statement 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 group's and of the parent company's affairs as at 31 July 2017 and of the group's 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.

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

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 group 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 group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, 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.

ROWE HANKINS (HOLDINGS) LIMITED

INDEPENDENT AUDITORS' REPORT (CONTINUED)

TO THE MEMBERS OF ROWE HANKINS (HOLDINGS) LIMITED

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent 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 group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

Royce Peeling Green Limited

Martin Chatten (Senior Statutory Auditor)
for and on behalf of Royce Peeling Green Limited
Chartered Accountants and Statutory Auditor

The Copper Room
Deva Centre, Trinity Way
Manchester
M3 7BG

9 February 2018

ROWE HANKINS (HOLDINGS) LIMITED**CONSOLIDATED PROFIT AND LOSS ACCOUNT****FOR THE YEAR ENDED 31 JULY 2017**

	Notes	2017 £	2016 £
Turnover	3	8,026,132	6,566,467
Cost of sales		(4,557,929)	(3,944,866)
Gross profit		3,468,203	2,621,601
Administrative expenses		(3,019,886)	(2,422,964)
Other Operating Income		996	-
Operating profit	4	449,313	198,637
Interest payable and similar expenses	5	(7,246)	(13,401)
Interest receivable and similar income		6,653	189
Losses arising on fair value of derivative instruments		(13,794)	-
Profit before taxation		434,926	185,425
Taxation	9	12,200	9,585
Profit for the financial year		447,126	195,010
Total comprehensive income for the year		447,126	195,010

The notes on pages 12 to 27 are an integral part of these financial statements.

ROWE HANKINS (HOLDINGS) LIMITED

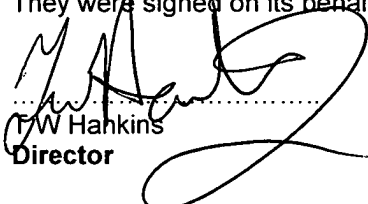
CONSOLIDATED BALANCE SHEET

AS AT 31 JULY 2017

	Notes	2017	2016
		£	£
Fixed assets			
Goodwill	13	667,874	764,434
Tangible fixed assets	12	290,530	258,074
		<u>958,404</u>	<u>1,022,508</u>
Current assets			
Stocks	16	1,744,838	1,211,379
Debtors	17	1,833,369	1,368,973
Cash at bank and in hand		83,169	18,798
		<u>3,661,376</u>	<u>2,599,150</u>
Creditors: amounts falling due within one year	18	<u>(2,198,443)</u>	<u>(1,515,989)</u>
Net current assets		<u>1,462,933</u>	<u>1,083,161</u>
Total assets less current liabilities		<u>2,421,337</u>	<u>2,105,669</u>
Creditors: amounts falling due after more than one year	19	(30,915)	(135,133)
Provisions for liabilities and charges	22	(24,843)	(22,083)
Net assets		<u><u>2,365,579</u></u>	<u><u>1,948,453</u></u>
Capital and reserves			
Share capital	23	18,667	18,667
Share premium account	23	1,848,000	1,848,000
Profit and loss account	23	498,912	81,786
Shareholders' funds		<u><u>2,365,579</u></u>	<u><u>1,948,453</u></u>

The financial statement were approved by the Board and authorised for issue on
They were signed on its behalf by:

8/2/18


F.W. Hankins
Director

Company Registration No. 09059829

The notes on pages 12 to 27 are an integral part of these financial statements.

ROWE HANKINS (HOLDINGS) LIMITED

COMPANY BALANCE SHEET

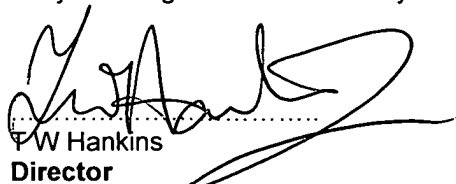
AS AT 31 JULY 2017

	Notes	2017 £	£	2016 £	£
Fixed assets					
Investments	14		3,023,117		3,023,117
Current assets					
Debtors	17	-		-	
Creditors:					
Amounts falling due within one year	18	(1,118,950)		(1,156,450)	
Net current assets			(1,118,950)		(1,156,450)
Total assets less current liabilities			1,904,167		1,866,667
Creditors: amounts falling due after more than one year	19		-		-
Net assets			1,904,167		1,866,667
Capital and reserves					
Share capital	23		18,667		18,667
Share premium account	23		1,848,000		1,848,000
Profit and loss account	23		37,500		-
Shareholders' funds			1,904,167		1,866,667

The profit for the financial year dealt with in the financial statements of the Parent company was £67,500 (2016: £Nil).

The financial statement were approved by the Board and authorised for issue on
They were signed on its behalf by:

8/2/18


T W Hankins
Director

Company Registration No. 09059829

The notes on pages 12 to 27 are an integral part of these financial statements.

ROWE HANKINS (HOLDINGS) LIMITED**STATEMENTS OF CHANGES IN EQUITY****FOR THE YEAR ENDED 31 JULY 2017****Consolidated statement of changes in equity**

	Share capital £	Share premium £	Profit & loss £	Total £
Balance at 1 August 2015	18,667	1,848,000	(113,224)	1,753,443
Year ended 31 July 2016:				
Profit for the year	-	-	195,010	195,010
Balance at 31 July 2016	<u>18,667</u>	<u>1,848,000</u>	<u>81,786</u>	<u>1,948,453</u>
Year ended 31 July 2017:				
Profit for the year	-	-	447,126	447,126
Dividends: Equity capital	-	-	(30,000)	(30,000)
At 31 July 2017	<u>18,667</u>	<u>1,848,000</u>	<u>498,912</u>	<u>2,365,579</u>

Company statement of changes in equity

	Share capital £	Share premium £	Profit & loss £	Total £
Balance at 1 August 2015	18,667	1,848,000	-	1,866,667
Year ended 31 July 2016:				
Profit for the year	-	-	-	-
Balance at 31 July 2016	<u>18,667</u>	<u>1,848,000</u>	<u>-</u>	<u>1,866,667</u>
Year ended 31 July 2017:				
Profit for the year	-	-	67,500	67,500
Dividends: Equity capital	-	-	(30,000)	(30,000)
At 31 July 2017	<u>18,667</u>	<u>1,848,000</u>	<u>37,500</u>	<u>1,904,167</u>

The notes on pages 12 to 27 are an integral part of these financial statements.

ROWE HANKINS (HOLDINGS) LIMITED**CONSOLIDATED CASH FLOW STATEMENT****FOR THE YEAR ENDED 31 JULY 2017**

	No	2017 £	£	2016 £	£
Net cash flow from operating activities	1		246,738		423,682
Investing activities					
Payments to acquire tangible fixed assets		(80,217)		(24,341)	
Receipts from disposal of tangible fixed assets		12,774		6,294	
Net cash flow from investing activities			(67,443)		(18,047)
Financing activities					
Interest paid		(7,246)		(13,401)	
Movement in invoice discounting loan		101,423		(331,016)	
Dividends paid		(30,000)		-	
Repayment of loans		(163,899)		(56,919)	
Movement in obligations under hire purchase		(15,202)		(30,619)	
Net cash flow from financing activities			(114,924)		(431,955)
Increase / (decrease) in cash and cash equivalents in the year			64,371		(26,320)
Cash and cash equivalents at the beginning of the year			18,798		45,118
Cash and cash equivalents at end of the year			<u>83,169</u>		<u>18,798</u>
Cash at bank and in hand			<u>83,169</u>		<u>18,798</u>

ROWE HANKINS (HOLDINGS) LIMITED**NOTES TO CASH FLOW STATEMENT****FOR THE YEAR ENDED 31 JULY 2017**

1 Reconciliation of operating profit to net cash inflow from operating activities

	2017	2016
	£	£
Operating profit	449,313	198,637
Adjustment for:		
Depreciation and amortisation charges	182,453	187,413
Loss on disposal of tangible fixed assets	2,263	2,489
Operating cash flow before movement in working capital	634,029	388,539
(Increase) in stocks	(533,459)	(143,349)
(Increase) in debtors	(464,396)	(361,920)
Increase in creditors	603,911	492,326
Taxation	-	47,897
Interest received	6,653	189
Net cash flow from operating activities	246,738	423,682

ROWE HANKINS (HOLDINGS) LIMITED

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2017

1 Accounting policies

Company information

Rowe Hankins (Holdings) Limited is a company limited by shares incorporated in England and Wales. The registered office is Power House, Parker Street, Bury, Lancashire, BL9 0RJ.

The principal activities of the group continued to be that of design, manufacture, distribution, service and maintenance of railway electrical and electronic systems.

1.1 Basis of preparation

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK And Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared on the historical cost convention, modified to include certain financial instruments at fair value. The principal accounting policies adopted are set out below.

1.2 Basis of consolidation

The group financial statements consolidate the financial statements of the parent undertaking and its subsidiary undertakings drawn up to 31 July each year.

The acquisition method of accounting has been adopted. Under this method, the results of the subsidiary undertakings acquired or disposed of in the year are included in the profit and loss account from the date of acquisition or up to the date of disposal.

1.3 Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

1.4 Turnover

Turnover is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

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

1.5 Research and development expenditure

Research expenditure is written off against profits in the year in which it is incurred. Identifiable development expenditure is capitalised to the extent that the technical, commercial and financial feasibility can be demonstrated.

1.6 Fixed asset investments

Interests in subsidiaries are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

A subsidiary is an entity controlled by the company. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

1.7 Goodwill

Goodwill arising on the acquisition of subsidiary undertakings and businesses, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and written off on a straight line basis over its useful economic life, which is 10 years. Provision is made for any impairment.

1.8 Tangible fixed assets and depreciation

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is provided at rates calculated to write off the cost or valuation, less the estimated residual value of each asset over its expected useful life. The rates generally applicable are:

Property improvements	10% straight line
Plant and machinery	15% / 20% straight line
Motor vehicles	20% straight line
Fixtures, fittings and equipment	10% / 33% straight line

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

1.9 Impairment of assets

At each reporting end date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount.

An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

1.10 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

1.11 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.12 Financial instruments

The Group has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's statement of financial position when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally 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.

Basic financial assets

Basic financial assets, which include trade and other receivables and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publically traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Trade debtors, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument to the net carrying amount on initial recognition.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

ROWE HANKINS (HOLDINGS) LIMITED

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2017

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

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

Basic financial liabilities

Basic financial liabilities, including trade and other payables, bank loans and loans from fellow group companies, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method. Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Other financial liabilities

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

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

Derecognition of financial liabilities

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

1.13 Equity instruments

Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the Group.

1.14 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.15 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.16 Retirement benefits

The Group operates a defined contribution pension scheme, the assets of which are held separately from those of the Group in independently administered funds.

1.17 Leases

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

Assets held under finance leases are recognised as assets at the lower of the assets fair value at the date of inception and the present value of the minimum lease payments. The related liability is included in the balance sheet as a finance lease obligation. Lease payments are treated as consisting of capital and interest elements. The interest is charged to the profit and loss account so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Rentals payable under operating leases, including any lease incentives received, are charged to income on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

1.18 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation are included in the profit and loss account for the period.

1.19 Auditors limitation of liability

The company has entered into a liability limitation agreement with Royce Peeling Green Limited, the statutory auditor, in respect of the statutory audit for the year ended 31 July 2017. The proportionate liability agreement follows the standard terms in Appendix B to the Financial Reporting Council's June

ROWE HANKINS (HOLDINGS) LIMITED

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2017

2008 Guidance on Auditor Liability Agreements, and will be approved by the shareholders at the forthcoming Annual General Meeting.

2 Judgements and key sources of estimation uncertainty

In the application of the group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Key sources of estimation uncertainty

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows

Depreciation

The depreciation expense is the recognition of the decline in the value of the asset and allocation of the cost of the asset over the periods in which the asset will be used. Judgments are made on the estimated useful life of the assets which are regularly reviewed to reflect the changing environment.

Stock provision

The provision is based on a review of old/slow moving stock lines and the estimated recoverability of those stock lines. The estimated recoverability is based on past experience and subsequent recoverability after the year end. Judgments are made on the estimated recoverability of the stock lines which are regularly reviewed to reflect the changing environment.

Bad debt provision

Where the company believes that unpaid debtors may result in a bad debt, provision is calculated. This calculation considers the payment history of the relevant customer and the ageing of the debtor.

3 Turnover

The turnover and operating profit for the year was derived entirely from the group's principal activities, wholly undertaken in the United Kingdom.

ROWE HANKINS (HOLDINGS) LIMITED**NOTES TO FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 JULY 2017****4 Operating profit**

Group operating profit is stated after charging or crediting:

	2017	2016
	£	£
Research and development costs	137,572	37,338
Auditors' remuneration - audit of the group's annual accounts	14,500	13,750
Goodwill amortisation	96,560	96,560
Depreciation	85,893	90,853
Loss on disposal of fixed assets	2,263	2,489
Cost of stocks recognised as an expense	3,687,531	3,296,895
Impairment of stock recognised as an expense		
Operating leases: property	75,000	75,000
Operating leases: other	54,674	52,100
Loss on foreign exchange transactions	120,250	52,820

Amortisation of intangible assets is included in administrative expenses.

5 Interest payable

	2017	2016
	£	£
Hire purchase interest	1,057	2,995
Invoice discounting interest	6,189	10,406
	7,246	13,401

ROWE HANKINS (HOLDINGS) LIMITED**NOTES TO FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 JULY 2017****6 Employees**

Staff costs, including directors, during the year were as follows:

	2017	2016
	£	£
Wages and salaries	1,974,082	1,468,681
Social security costs	139,088	118,601
Other pension costs	46,399	53,510
	<u>2,159,569</u>	<u>1,640,792</u>

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

	2017	2016
	Number	Number
Sales	14	12
Administration	15	13
Management	5	4
Engineering	11	11
Production	29	25
	<u>74</u>	<u>65</u>

7 Directors' remuneration

	2017	2016
	£	£
Remuneration for qualifying services	96,314	99,727
Company pension contributions to defined contribution schemes	2,090	10,493
	<u>98,404</u>	<u>110,220</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 2 (2016: 3).

8 Retirement benefits scheme**Defined contribution schemes**

The group operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the group in an independently administered fund.

The charge to profit and loss in respect of defined contribution schemes was £46,399 (2016: £53,510). Contributions totalling £8,469 (2016: £6,555) were payable to the fund at the balance sheet date.

ROWE HANKINS (HOLDINGS) LIMITED

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2017

9 Taxation

Group

	2017	2016
	£	£
Current year tax		
UK corporation tax	5,020	-
Adjustments in respect of prior periods	(19,980)	(5,000)
Total current tax	(14,960)	(5,000)
Total deferred tax	2,760	(4,585)
Total tax charge/ (credit)	(12,200)	(9,585)
Factors affecting the tax charge for the year		
Profit/ (loss) on ordinary activities before taxation	434,926	185,425
Profit/(loss) on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 19.67% (2016: 20%)	85,550	37,085
Effects of:		
Non-deductible expenses/ (non taxable income)	14,704	7,834
Tax effect of utilisation of tax losses	(6,365)	-
Goodwill amortisation	18,993	19,312
Unutilised tax losses carried forward	-	19,532
Effect of change in corporation tax rate	(1,238)	-
Depreciation in excess of capital allowances	2,727	3,578
Under provided in prior years	(20,096)	(5,000)
Research & development enhanced deduction	(106,451)	(91,891)
Other tax adjustments	(24)	(35)
Tax expense/ (income) for the year	(12,200)	(9,585)

10 Profit attributable to the company

As permitted by s408 of the Companies Act 2006, no separate profit and loss account or statement of comprehensive income is presented in respect of the parent Company. The profit attributable to the Company is disclosed in the footnote to the Company's Balance Sheet.

ROWE HANKINS (HOLDINGS) LIMITED

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2017

11 Dividends

	2017 £	2016 £
Interim dividends paid	30,000	-

12 Tangible fixed assets

Group					
Cost	Building improvements £	Plant & machinery £	Fixtures, fittings & equipment £	Motor vehicles £	Total £
At 1 August 2016	179,639	236,526	273,504	75,235	764,904
Additions	3,001	5,979	56,742	67,664	133,386
Disposals	-	(2,800)	-	(58,735)	(61,535)
At 31 July 2017	182,640	239,705	330,246	84,164	836,755
Depreciation					
At 1 August 2016	67,499	175,036	220,763	43,531	506,829
Charge for the year	18,042	32,761	18,437	16,653	85,893
Disposals	-	(2,618)	-	(43,879)	(46,497)
At 31 July 2017	85,541	205,179	239,200	16,305	546,225
Net Book Value					
At 31 July 2017	97,099	34,526	91,046	67,859	290,530
At 31 July 2016	112,140	61,489	52,741	31,704	258,074

Included above are assets held under finance leases or hire purchase contracts with a net book value of £54,575 (2016: £10,713) on which depreciation of £9,307 (2016: £3,307) was charged during the year.

ROWE HANKINS (HOLDINGS) LIMITED

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2017

13 Goodwill

Group	Goodwill on Consolidation £
Cost	
At 1 August 2016 and 31 July 2017	965,600
Amortisation	
At 1 August 2016	201,166
Charge for the year	96,560
At 31 July 2017	297,726
Net book value	
At 31 July 2017	667,874
At 31 July 2016	764,434

14 Fixed asset investments

Company	Shares in subsidiary undertakings £
Cost and net book value	
At 1 August 2016 and 31 July 2017	3,023,117

The company has investments in the following subsidiary undertakings:

Name	Principal activity	Country of incorporation	Shares held	
			Class	%
Rowe Hankins Limited	The design, manufacture, distribution, service and maintenance of railway electrical and electronic systems.	England & Wales	Ordinary	100

ROWE HANKINS (HOLDINGS) LIMITED

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2017

15 Financial instruments

	Group 2017 £	Company 2017 £	Group 2016 £	Company 2016 £
Carrying amount of financial assets				
Debt instruments measured at amortised cost	1,794,622	-	1,267,941	-
Equity instruments measured at cost less impairment	-	3,023,117	-	3,023,117
	<u>1,794,622</u>	<u>3,023,117</u>	<u>1,267,941</u>	<u>3,023,117</u>
	Group 2017 £	Company 2017 £	Group 2016 £	Company 2015 £
Carrying amount of financial liabilities				
Measured at amortised cost	2,071,155	1,118,951	1,489,596	1,156,451

16 Stocks

	Group 2017 £	Company 2017 £	Group 2016 £	Company 2016 £
Work in progress	51,030	-	18,700	-
Finished goods and goods for resale	1,693,808	-	1,192,679	-
	<u>1,744,838</u>	<u>-</u>	<u>1,211,379</u>	<u>-</u>

17 Debtors

	Group 2017 £	Company 2017 £	Group 2016 £	Company 2016 £
Trade debtors	1,699,963	-	1,238,814	-
Prepayments and accrued income	121,916	-	119,230	-
Other debtors	11,490	-	10,929	-
	<u>1,833,369</u>	<u>-</u>	<u>1,368,973</u>	<u>-</u>

ROWE HANKINS (HOLDINGS) LIMITED

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2017

18 Creditors: amounts falling due within one year

	Note	Group 2017 £	Company 2017 £	Group 2016 £	Company 2016 £
Invoice discounting facility (i)		104,925	-	3,502	-
Other loans (i)	20	60,008	-	90,012	-
Hire purchase contracts (i)	21	13,240	-	4,950	-
Trade creditors		844,981	-	985,388	-
Corporation tax		5,020	-	19,980	-
Other taxes and social security		139,389	-	141,546	-
Other creditors		17,412	-	59,416	-
Accruals and deferred income		999,674	-	211,195	-
Intra group balances		-	1,118,950	-	1,156,450
Derivative financial instruments		13,794	-	-	-
		<u>2,198,443</u>	<u>1,118,950</u>	<u>1,515,989</u>	<u>1,156,450</u>
Debt (i)		178,173	-	98,464	-

Other loans are owed to the Rowe Hankins (1988) Retirement Benefits Scheme. This is secured on a first fixed and floating charge over all stock in trade of the subsidiary undertaking, dated 25 June 2014 and 27 November 2014.

The invoice discounting facility is secured on a fixed and floating charge dated 26 March 2014, on all the property or undertaking of the subsidiary undertaking.

The Group has granted a guarantee to H M Revenue & Customs to the value of £80,000.

Amounts owed under hire purchase agreements are secured against the underlying assets to which the finance relates.

19 Creditors: amounts falling due after more than one year

	Note	Group 2017 £	Company 2017 £	Group 2016 £	Company 2016 £
Other loans	20	-	-	133,895	-
Hire purchase contracts	21	30,915	-	1,238	-
		<u>30,915</u>	<u>-</u>	<u>135,133</u>	<u>-</u>

ROWE HANKINS (HOLDINGS) LIMITED

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2017

20 Borrowings

	Group 2017 £	Company 2017 £	Group 2016 £	Company 2016 £
Total debt excluding hire purchase	60,008	-	227,409	-
Less amount included in current liabilities	(60,008)	-	(93,514)	-
Payable after one year	-	-	133,895	-

Other loans of £Nil (2016: £133,895) is owed to the Rowe Hankins (1988) Retirement Benefits Scheme. This is secured on a first fixed and floating charge over all stock in trade of the subsidiary undertaking, dated 25 June 2014 and 27 November 2014, bears interest at 2.5% per annum and is scheduled to be repaid in monthly instalments over 5 years from drawdown.

21 Net obligations under hire purchase contracts

Future minimum lease payments due under hire purchase contracts / finance leases are:

	Group 2017 £	Company 2017 £	Group 2016 £	Company 2016 £
Repayable within one years	14,633	-	5,436	-
Repayable between one and five years	34,612	-	1,359	-
Finance charge allocated to future periods	49,245 (5,090)	- -	6,795 (607)	- -
Included in current liabilities	44,155 (13,240)	- -	6,188 (4,950)	- -
	30,915	-	1,238	-

Net obligations under hire purchase contracts represent rentals payable by the group for certain items of plant and machinery. Leases include purchase options at the end of the lease period, and no restrictions are placed on the use of the assets. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. The liabilities are secured by fixed charges on the assets concerned.

ROWE HANKINS (HOLDINGS) LIMITED

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2017

22 Provisions for liabilities and charges

Group	Deferred Taxation			
				£
Balance at 1 August 2016				22,083
Profit and loss account				2,760
				<hr/>
Balance at 31 July 2017				24,843
				<hr/>
The deferred tax liability is made up as follows:				
	Group	Company	Group	Company
	2017	2017	2016	2016
	£	£	£	£
Accelerated capital allowances	24,843	-	24,083	-
Other timing differences	-	-	(2,000)	-
	<hr/>	<hr/>	<hr/>	<hr/>
	24,843	-	22,083	-
	<hr/>	<hr/>	<hr/>	<hr/>

23 Share capital

Allotted, issued and fully paid	Number	£
Ordinary shares of £0.01 each	1,866,667	18,667
	<hr/>	<hr/>

The company has one class of ordinary shares which carry voting rights but no right to fixed income.

Share premium account

This reserve represents the amount above the nominal value received for issued share capital, less transactions costs.

Profit and loss account

This reserve represents the accumulated undistributed reserves of the Group.

24 Operating lease commitments

At the reporting date, the group and company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Group		Company	
	2017	2016	2017	2016
	£	£	£	£
Within one year	75,000	75,000	-	-
Between two and five years	187,500	262,500	-	-
In over five years	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	262,500	337,500	-	-
	<hr/>	<hr/>	<hr/>	<hr/>

ROWE HANKINS (HOLDINGS) LIMITED

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2017

25 Related party transactions

The remuneration of key management personnel, including the directors, is as follows.

	Group		Company	
	2017	2016	2017	2016
	£	£	£	£
Aggregate amounts	<u>150,208</u>	<u>197,085</u>	<u>-</u>	<u>-</u>

Transactions with group companies

The Company has taken advantage of the exemption in FRS 102 from the requirement to disclose transactions with its subsidiary company on the grounds that it prepares consolidated financial statements.

Other transactions

The group operates from premises leased from the Rowe Hankins (1988) Retirement Benefits Scheme and during the period paid a fair market rent of £75,000 (2016: £75,000). At 31 July 2017 there was a balance of £60,008 (2016: £223,907) due to the Rowe Hankins (1988) Retirement Benefits Scheme. This relates to a loan with interest being charged at 2.5% per annum.

During the year, the Group paid £25,921 (2016: £18,500) to a close family member of one of the directors for services undertaken during the year. The balance outstanding at the year-end was £Nil (2016: £Nil).

26 Controlling party

In the opinion of the directors, the ultimate controlling party of the Group is T W Hankins, by virtue of his majority shareholding.