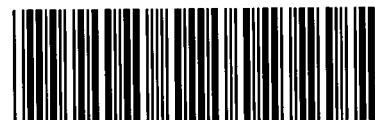


**GROUP STRATEGIC REPORT,**  
**REPORT OF THE DIRECTORS AND**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2016**  
**FOR**  
**SOUTH MIDLANDS COMMUNICATIONS LIMITED**

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**SOUTH MIDLANDS COMMUNICATIONS LIMITED**

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**FOR THE YEAR ENDED 30 JUNE 2016**

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**SOUTH MIDLANDS COMMUNICATIONS LIMITED**

**COMPANY INFORMATION**  
**FOR THE YEAR ENDED 30 JUNE 2016**

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**DIRECTORS:**

B.D Gardner  
M. D Gardner  
Mrs J. Y Diamond  
Mrs S Nutbrown  
S Hey  
N StJ Hopkins

**SECRETARY:**

Mrs D B Gardner

**REGISTERED OFFICE:**

S M House  
School Close  
Chandlers Ford Industrial Estate  
Eastleigh  
Hampshire  
SO53 4BY

**REGISTERED NUMBER:**

00603500 (England and Wales)

**AUDITORS:**

Martin and Company  
Chartered Accountants  
and Statutory Auditors  
25 St Thomas Street  
Winchester  
Hampshire  
SO23 9HJ

**BANKERS:**

National Westminster Bank Plc  
123 Winchester Road  
Chandlers Ford  
Eastleigh  
Hampshire  
SO53 2UA

## **SOUTH MIDLANDS COMMUNICATIONS LIMITED**

### **GROUP STRATEGIC REPORT** **FOR THE YEAR ENDED 30 JUNE 2016**

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The directors present their strategic report of the company and the group for the year ended 30 June 2016.

#### **Review of the business**

This year reflects another step forward in the progress of the group.

The group has continued to achieve a solid turnover, albeit a loss of £182,149, mainly due to debt write offs in the year.

The balance sheet continues to show a very healthy state of affairs.

The group enters the new financial year with a strong order book and therefore the directors are confident that 2017 will see a return to a solid profit.

#### **Discontinued or new business areas**

There have been no changes to the principal activities of the group.

#### **Capital investments**

The group continues to invest in plant and equipment and research and development.

#### **Funding**

The group operates well within its banking arrangements with Natwest Plc.

#### **People**

The group employs over 50 staff, most are long term employees, all are critical to the success of the business.

#### **Health and safety**

The group recognises that health and safety in the work place is paramount and it is therefore taken very seriously. The directors believe that they have all the necessary policies in place to safeguard the welfare of the staff.

#### **Key performance indicators**

The group monitors financial and non-financial performance measures on a monthly basis. These, combined with monthly management accounts allow the group to track trading margins, relative to budgets and forecasts.

#### **Business continuity**

The group has contingency plans and a comprehensive insurance package in place that would respond in the event of a major disaster to ensure the group's ability to continue supplying its customers and meeting its financial obligations.

#### **Financial risk management objectives and policies**

The directors aim to minimise the financial risk to the group and manage this as follows:

Interest rate risk

**SOUTH MIDLANDS COMMUNICATIONS LIMITED**

**GROUP STRATEGIC REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2016**

---

The group does not have a significant interest rate exposure.

**Credit risk**

The group monitors and checks the credit ratings of its customers closely, which together with monitoring payment performance on a regular basis, the directors consider that this policy meets the objective of managing and minimising exposure to credit risk.

**Liquidity risk**

The group controls cashflow by careful budgeting which ensures liquidity is maintained.

**Currency risk**

The group does have a significant currency risk exposure due to the majority of its turnover coming from overseas. This is managed by having other currency bank accounts and the hedging of currency.

**ON BEHALF OF THE BOARD:**

  
.....  
N St. Hopkins - Director

Date: 21 March 2017

## **SOUTH MIDLANDS COMMUNICATIONS LIMITED**

### **REPORT OF THE DIRECTORS** **FOR THE YEAR ENDED 30 JUNE 2016**

---

The directors present their report with the financial statements of the company and the group for the year ended 30 June 2016.

#### **DIVIDENDS**

No dividends will be distributed for the year ended 30 June 2016.

#### **DIRECTORS**

The directors shown below have held office during the whole of the period from 1 July 2015 to the date of this report.

B.D Gardner  
M. D Gardner  
Mrs J. Y Diamond  
Mrs S Nutbrown  
S Hey  
N StJ Hopkins

Other changes in directors holding office are as follows:

J Lightfoot - resigned 31 July 2015  
G Griffin - resigned 29 June 2016

Mrs S Brown ceased to be a director after 30 June 2016 but prior to the date of this report.

#### **POLITICAL AND CHARITABLE CONTRIBUTIONS**

Neither the company or any of its subsidiaries made any political donations or incurred any political expenditure during the year.

The company made charitable donations of £310 (2015: £914) during the year. None were made by the company's subsidiaries.

#### **POLICY ON PAYMENT OF CREDITORS**

The company makes purchases from suppliers according to the terms and conditions agreed in advance between the two parties. Payments are made to suppliers when goods or services have been received and the terms and conditions of the agreement have been met.

#### **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- 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 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.

**SOUTH MIDLANDS COMMUNICATIONS LIMITED**

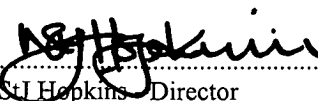
**REPORT OF THE DIRECTORS**  
**FOR THE YEAR ENDED 30 JUNE 2016**

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**STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS**

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the group's auditors are unaware, and each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the group's auditors are aware of that information.

**ON BEHALF OF THE BOARD:**

  
.....  
N St J Hopkins Director

Date: 21 March 2017

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF  
SOUTH MIDLANDS COMMUNICATIONS LIMITED**

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We have audited the financial statements of South Midlands Communications Limited for the year ended 30 June 2016 on pages eight to twenty six. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

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

**Respective responsibilities of directors and auditors**

As explained more fully in the Statement of Directors' Responsibilities set out on page four, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

**Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Group Strategic Report and the Report of the Directors to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

**Opinion on financial statements**

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 30 June 2016 and of the group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Group Strategic Report and the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.



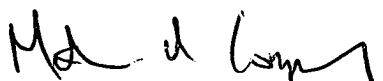
**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF  
SOUTH MIDLANDS COMMUNICATIONS LIMITED**

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

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

- adequate accounting records have not been kept 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.



David Barr FCA (Senior Statutory Auditor)  
for and on behalf of Martin and Company  
Chartered Accountants  
and Statutory Auditors  
25 St Thomas Street  
Winchester  
Hampshire  
SO23 9HJ

Date: .....

21<sup>st</sup> March 2017

**SOUTH MIDLANDS COMMUNICATIONS LIMITED****CONSOLIDATED INCOME STATEMENT**  
**FOR THE YEAR ENDED 30 JUNE 2016**

	Notes	30.6.16	30.6.15
		£	£
<b>TURNOVER</b>	2	<b>4,436,018</b>	5,245,590
Cost of sales		<u><b>3,205,201</b></u>	<u>3,466,659</u>
<b>GROSS PROFIT</b>		<b>1,230,817</b>	1,778,931
Distribution costs		<b>333,008</b>	308,482
Administrative expenses		<u><b>1,104,564</b></u>	<u>1,308,783</u>
		<u><b>1,437,572</b></u>	<u>1,617,265</u>
<b>OPERATING (LOSS)/PROFIT</b>	4	<b>(206,755)</b>	161,666
Interest receivable and similar income		<u><b>435</b></u>	<u>115</u>
<b>(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<b>(206,320)</b>	161,781
Tax on (loss)/profit on ordinary activities	5	<u><b>(24,171)</b></u>	<u>(1,924)</u>
<b>(LOSS)/PROFIT FOR THE FINANCIAL YEAR</b>		<u><b>(182,149)</b></u>	<u>163,705</u>
(Loss)/profit attributable to: Owners of the parent		<u><b>(182,149)</b></u>	<u>163,705</u>

The notes form part of these financial statements

**SOUTH MIDLANDS COMMUNICATIONS LIMITED**

**CONSOLIDATED OTHER COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 30 JUNE 2016**


	Notes	30.6.16 £	30.6.15 £
<b>(LOSS)/PROFIT FOR THE YEAR</b>		<b>(182,149)</b>	163,705
<b>OTHER COMPREHENSIVE INCOME</b>			
		-	(11,000)
Income tax relating to other comprehensive income		-	-
<b>OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF INCOME TAX</b>		<b>-</b>	<b>(11,000)</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>(182,149)</b>	152,705
Total comprehensive income attributable to: Owners of the parent		<b>(182,149)</b>	152,705

The notes form part of these financial statements

**SOUTH MIDLANDS COMMUNICATIONS LIMITED (REGISTERED NUMBER: 00603500)****CONSOLIDATED BALANCE SHEET**  
**30 JUNE 2016**

	Notes	30.6.16 £	30.6.15 £
<b>FIXED ASSETS</b>			
Intangible assets	7	-	2,659
Tangible assets	8	2,319,158	2,380,824
Investments	9	-	-
		<u>2,319,158</u>	<u>2,383,483</u>
<b>CURRENT ASSETS</b>			
Stocks	10	3,419,254	3,423,686
Debtors	11	775,994	1,187,004
Cash at bank		<u>682,126</u>	<u>571,620</u>
		4,877,374	5,182,310
<b>CREDITORS</b>			
Amounts falling due within one year	12	<u>829,687</u>	<u>992,289</u>
<b>NET CURRENT ASSETS</b>		<u>4,047,687</u>	<u>4,190,021</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		6,366,845	6,573,504
<b>PROVISIONS FOR LIABILITIES</b>	13	-	24,510
<b>NET ASSETS</b>		<u>6,366,845</u>	<u>6,548,994</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	14	1,144,250	1,144,250
Revaluation reserve	15	1,886,574	1,886,574
Capital redemption reserve	15	5,750	5,750
Other reserves	15	28,015	28,015
Retained earnings	15	<u>3,302,256</u>	<u>3,484,405</u>
<b>SHAREHOLDERS' FUNDS</b>		<u>6,366,845</u>	<u>6,548,994</u>

The financial statements were approved by the Board of Directors on 21 March 2017 and were signed on its behalf by:

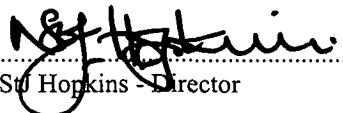
  
 .....  
 N StJ Hopkins - Director

The notes form part of these financial statements

**SOUTH MIDLANDS COMMUNICATIONS LIMITED (REGISTERED NUMBER: 00603500)****COMPANY BALANCE SHEET**  
**30 JUNE 2016**

	Notes	30.6.16 £	30.6.15 £
<b>FIXED ASSETS</b>			
Intangible assets	7	-	-
Tangible assets	8	2,317,378	2,377,041
Investments	9	<u>16,504</u>	<u>16,504</u>
		2,333,882	2,393,545
<b>CURRENT ASSETS</b>			
Stocks	10	925,472	1,196,866
Debtors	11	3,210,252	3,395,434
Cash at bank		<u>501,434</u>	<u>434,652</u>
		4,637,158	5,026,952
<b>CREDITORS</b>			
Amounts falling due within one year	12	<u>669,642</u>	<u>958,524</u>
<b>NET CURRENT ASSETS</b>		<u>3,967,516</u>	<u>4,068,428</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>6,301,398</b>	<b>6,461,973</b>
<b>PROVISIONS FOR LIABILITIES</b>	13	-	<u>24,510</u>
<b>NET ASSETS</b>		<u><b>6,301,398</b></u>	<u><b>6,437,463</b></u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	14	1,144,250	1,144,250
Revaluation reserve	15	1,723,778	1,723,778
Capital redemption reserve	15	5,750	5,750
Retained earnings	15	<u>3,427,620</u>	<u>3,563,685</u>
<b>SHAREHOLDERS' FUNDS</b>		<u><b>6,301,398</b></u>	<u><b>6,437,463</b></u>

The financial statements were approved by the Board of Directors on 21 March 2017 and were signed on its behalf by:

  
 N St John Hopkins - Director

The notes form part of these financial statements

**SOUTH MIDLANDS COMMUNICATIONS LIMITED****CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 30 JUNE 2016**

	Called up share capital £	Retained earnings £	Revaluation reserve £
Balance at 1 July 2014	1,150,000	3,331,700	1,886,574
Changes in equity			
Purchase of shares	(5,750)	-	-
Total comprehensive income	-	152,705	-
Balance at 30 June 2015	1,144,250	3,484,405	1,886,574
Changes in equity			
Total comprehensive income	-	(182,149)	-
Balance at 30 June 2016	1,144,250	3,302,256	1,886,574

	Capital redemption reserve £	Other reserves £	Total equity £
Balance at 1 July 2014	-	28,015	6,396,289
Changes in equity			
Purchase of shares	5,750	-	-
Total comprehensive income	-	-	152,705
Balance at 30 June 2015	5,750	28,015	6,548,994
Changes in equity			
Total comprehensive income	-	-	(182,149)
Balance at 30 June 2016	5,750	28,015	6,366,845

The notes form part of these financial statements

**SOUTH MIDLANDS COMMUNICATIONS LIMITED****COMPANY STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 30 JUNE 2016**

---

	Called up share capital £	Retained earnings £	Revaluation reserve £	Capital redemption reserve £	Total equity £
<b>Balance at 1 July 2014</b>	1,150,000	3,449,845	1,723,778	-	6,323,623
<b>Changes in equity</b>					
Purchase of shares	(5,750)	-	-	-	(5,750)
Total comprehensive income	-	113,840	-	5,750	119,590
	<u>1,144,250</u>	<u>3,563,685</u>	<u>1,723,778</u>	<u>5,750</u>	<u>6,437,463</u>
<b>Balance at 30 June 2015</b>					
	<u>1,144,250</u>	<u>3,563,685</u>	<u>1,723,778</u>	<u>5,750</u>	<u>6,437,463</u>
<b>Changes in equity</b>					
Total comprehensive income	-	(136,065)	-	-	(136,065)
	<u>1,144,250</u>	<u>3,427,620</u>	<u>1,723,778</u>	<u>5,750</u>	<u>6,301,398</u>
<b>Balance at 30 June 2016</b>					
	<u>1,144,250</u>	<u>3,427,620</u>	<u>1,723,778</u>	<u>5,750</u>	<u>6,301,398</u>

The notes form part of these financial statements

**SOUTH MIDLANDS COMMUNICATIONS LIMITED****CONSOLIDATED CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED 30 JUNE 2016**

		30.6.16	30.6.15
	Notes	£	£
<b>Cash flows from operating activities</b>			
Cash generated from operations	1	14,475	141,024
Tax paid		<u>(339)</u>	<u>21,347</u>
Net cash from operating activities		<u>14,136</u>	<u>162,371</u>
 <b>Cash flows from investing activities</b>			
Purchase of tangible fixed assets		(5,477)	(2,345)
Sale of tangible fixed assets		-	37,575
Interest received		<u>435</u>	<u>115</u>
Net cash from investing activities		<u>(5,042)</u>	<u>35,345</u>
 <b>Cash flows from financing activities</b>			
Amount introduced by directors		102,998	-
Amount withdrawn by directors		(1,586)	(100,770)
Share buyback		<u>-</u>	<u>(11,000)</u>
Net cash from financing activities		<u>101,412</u>	<u>(111,770)</u>
 <b>Increase in cash and cash equivalents</b>		<u>110,506</u>	<u>85,946</u>
<b>Cash and cash equivalents at beginning of year</b>	2	<u>571,620</u>	<u>485,674</u>
 <b>Cash and cash equivalents at end of year</b>	2	<u><u>682,126</u></u>	<u><u>571,620</u></u>

The notes form part of these financial statements



**SOUTH MIDLANDS COMMUNICATIONS LIMITED****NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED 30 JUNE 2016****1. RECONCILIATION OF (LOSS)/PROFIT BEFORE TAXATION TO CASH GENERATED FROM OPERATIONS**

	<b>30.6.16</b>	<b>30.6.15</b>
	<b>£</b>	<b>£</b>
(Loss)/profit before taxation	<b>(206,320)</b>	161,781
Depreciation charges	<b>69,802</b>	77,260
Loss on disposal of fixed assets	<b>-</b>	10,498
Finance income	<b>(435)</b>	(115)
	<b>(136,953)</b>	249,424
Decrease/(increase) in stocks	<b>4,432</b>	(169,921)
Decrease/(increase) in trade and other debtors	<b>411,010</b>	(163,430)
(Decrease)/increase in trade and other creditors	<b>(264,014)</b>	224,951
<b>Cash generated from operations</b>	<b><u>14,475</u></b>	<b><u>141,024</u></b>

**2. CASH AND CASH EQUIVALENTS**

The amounts disclosed on the Consolidated Cash Flow Statement in respect of cash and cash equivalents are in respect of these Balance Sheet amounts:

**Year ended 30 June 2016**

	<b>30.6.16</b>	<b>1.7.15</b>
	<b>£</b>	<b>£</b>
Cash and cash equivalents	<b><u>682,126</u></b>	<b><u>571,620</u></b>

**Year ended 30 June 2015**

	<b>30.6.15</b>	<b>1.7.14</b>
	<b>£</b>	<b>£</b>
Cash and cash equivalents	<b><u>571,620</u></b>	<b><u>485,674</u></b>

The notes form part of these financial statements

**1. ACCOUNTING POLICIES**

**Basis of preparing the financial statements**

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

**Turnover**

Turnover represents net invoiced sales of goods, excluding value added tax. The group has one main source of income which comprises of the sale of commercial radio communications equipment and systems.

**Goodwill**

Goodwill, being the amount paid in connection with the acquisition of a business in 2005, is being amortised evenly over its estimated useful life of three years.

**Patents and licences**

Patents and licences are being amortised evenly over their estimated useful lives of four years.

**Tangible fixed assets**

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Freehold property	- 2% on cost
Plant and machinery	- 15% on reducing balance
Fixtures and fittings	- 15-25% on reducing balance
Motor vehicles	- 25% on reducing balance

**Stocks**

Stocks and work in progress are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Cost includes all direct expenditure and an appropriate proportion of fixed and variable overheads.

**Deferred tax**

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

**Research and development**

Expenditure on research and development is written off in the year in which it is incurred.

**Foreign currencies**

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

**Pension costs and other post-retirement benefits**

The group operates a defined contribution pension scheme. Contributions payable to the group's pension scheme are charged to profit or loss in the period to which they relate.

## **SOUTH MIDLANDS COMMUNICATIONS LIMITED**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued** **FOR THE YEAR ENDED 30 JUNE 2016**

#### **1. ACCOUNTING POLICIES - continued**

##### **Financial instruments**

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 entity after deducting all of its financial liabilities.

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classified as financial liabilities. Financial liabilities are presented as such in the balance sheet. Financial costs and gains or losses relating to financial liabilities are included in the profit and loss account. Financial costs are calculated so as to produce a constant rate of return on the outstanding liability.

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited direct to equity.

#### **2. TURNOVER**

The turnover and loss (2015 - profit) before taxation are attributable to the principal activities of the group.

An analysis of turnover by geographical market is given below:

	<b>30.6.16</b>	<b>30.6.15</b>
	<b>£</b>	<b>£</b>
Rest of World	<b>3,572,438</b>	4,470,599
United Kingdom	<b>395,741</b>	411,516
Europe	<b>467,839</b>	363,475
	<b><u>4,436,018</u></b>	<b><u>5,245,590</u></b>

#### **3. STAFF COSTS**

	<b>30.6.16</b>	<b>30.6.15</b>
	<b>£</b>	<b>£</b>
Wages and salaries	<b>1,560,309</b>	1,819,079
Social security costs	<b>120,641</b>	163,529
Other pension costs	<b>45,959</b>	57,159
	<b><u>1,726,909</u></b>	<b><u>2,039,767</u></b>

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

	<b>30.6.16</b>	<b>30.6.15</b>
Selling and distribution	<b>15</b>	16
Production and design	<b>29</b>	30
Administration	<b>11</b>	12
	<b><u>55</u></b>	<b><u>58</u></b>

**SOUTH MIDLANDS COMMUNICATIONS LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 30 JUNE 2016****4. OPERATING (LOSS)/PROFIT**

The operating loss (2015 - operating profit) is stated after charging:

	<b>30.6.16</b>	<b>30.6.15</b>
	<b>£</b>	<b>£</b>
Depreciation - owned assets	<b>67,143</b>	67,945
Loss on disposal of fixed assets	-	10,498
Patents and licences amortisation	<b>2,659</b>	9,315
Auditors' remuneration	<b>7,000</b>	8,500
Auditors' remuneration for non audit work	<b><u>6,000</u></b>	<b><u>6,450</u></b>
Directors' remuneration	<b>199,428</b>	464,276
Directors' pension contributions to money purchase schemes	<b><u>15,862</u></b>	<b><u>29,331</u></b>

The number of directors to whom retirement benefits were accruing was as follows:

Money purchase schemes	<b><u>5</u></b>	<b><u>6</u></b>
------------------------	-----------------	-----------------

**5. TAXATION****Analysis of the tax credit**

The tax credit on the loss on ordinary activities for the year was as follows:

	<b>30.6.16</b>	<b>30.6.15</b>
	<b>£</b>	<b>£</b>
Current tax:		
UK corporation tax	<b>339</b>	6,706
Deferred tax	<b><u>(24,510)</u></b>	<b><u>(8,630)</u></b>
Tax on (loss)/profit on ordinary activities	<b><u>(24,171)</u></b>	<b><u>(1,924)</u></b>

**SOUTH MIDLANDS COMMUNICATIONS LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 30 JUNE 2016**

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**5. TAXATION - continued**

**Reconciliation of total tax credit included in profit and loss**

The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The difference is explained below:

	<b>30.6.16</b>	<b>30.6.15</b>
	<b>£</b>	<b>£</b>
(Loss)/profit on ordinary activities before tax	<b><u>(206,320)</u></b>	<b><u>161,781</u></b>
(Loss)/profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 20% (2015 - 20%)	<b>(41,264)</b>	<b>32,356</b>
Effects of:		
Expenses not deductible for tax purposes	-	889
Depreciation in excess of capital allowances	<b>11,267</b>	<b>14,098</b>
Utilisation of tax losses	-	(2,408)
Trading losses not used	<b>105,571</b>	<b>30,458</b>
capital allowances		
Research and development deduction rates	<b>(74,896)</b>	<b>(68,687)</b>
Foreign tax	<b>(339)</b>	-
Deferred tax	<b><u>(24,510)</u></b>	<b><u>(8,630)</u></b>
Total tax credit	<b><u>(24,171)</u></b>	<b><u>(1,924)</u></b>

**6. LOSS OF PARENT COMPANY**

As permitted by Section 408 of the Companies Act 2006, the Income Statement of the parent company is not presented as part of these financial statements. The parent company's loss for the financial year was £(136,065) (2015 - £124,840 profit).

**SOUTH MIDLANDS COMMUNICATIONS LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 30 JUNE 2016****7. INTANGIBLE FIXED ASSETS****Group**

	<b>Goodwill £</b>	<b>Patents and licences £</b>	<b>Totals £</b>
<b>COST</b>			
At 1 July 2015 and 30 June 2016	<u>180,500</u>	<u>75,401</u>	<u>255,901</u>
<b>AMORTISATION</b>			
At 1 July 2015	180,500	72,742	253,242
Amortisation for year	<u>-</u>	<u>2,659</u>	<u>2,659</u>
At 30 June 2016	<u>180,500</u>	<u>75,401</u>	<u>255,901</u>
<b>NET BOOK VALUE</b>			
At 30 June 2016	<u>-</u>	<u>-</u>	<u>-</u>
At 30 June 2015	<u>-</u>	<u>2,659</u>	<u>2,659</u>

**Company**

	<b>Goodwill £</b>
<b>COST</b>	
At 1 July 2015 and 30 June 2016	<u>180,500</u>
<b>AMORTISATION</b>	
At 1 July 2015 and 30 June 2016	<u>180,500</u>
<b>NET BOOK VALUE</b>	
At 30 June 2016	<u>-</u>
At 30 June 2015	<u>-</u>

**SOUTH MIDLANDS COMMUNICATIONS LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 30 JUNE 2016****8. TANGIBLE FIXED ASSETS****Group**

	<b>Freehold property £</b>	<b>Plant and machinery £</b>	<b>Fixtures and fittings £</b>	<b>Motor vehicles £</b>	<b>Totals £</b>
<b>COST</b>					
At 1 July 2015	2,400,434	593,549	131,606	11,600	3,137,189
Additions	-	2,244	3,233	-	5,477
At 30 June 2016	2,400,434	595,793	134,839	11,600	3,142,666
<b>DEPRECIATION</b>					
At 1 July 2015	164,444	466,429	114,545	10,947	756,365
Charge for year	38,798	22,994	5,188	163	67,143
At 30 June 2016	203,242	489,423	119,733	11,110	823,508
<b>NET BOOK VALUE</b>					
At 30 June 2016	2,197,192	106,370	15,106	490	2,319,158
At 30 June 2015	2,235,990	127,120	17,061	653	2,380,824

Included in cost of land and buildings is freehold land of £830,000 (2015 - £830,000) which is not depreciated.

**Company**

	<b>Freehold property £</b>	<b>Plant and machinery £</b>	<b>Fixtures and fittings £</b>	<b>Motor vehicles £</b>	<b>Totals £</b>
<b>COST</b>					
At 1 July 2015	2,400,434	523,742	130,790	11,600	3,066,566
Additions	-	300	2,353	-	2,653
At 30 June 2016	2,400,434	524,042	133,143	11,600	3,069,219
<b>DEPRECIATION</b>					
At 1 July 2015	164,444	400,405	113,729	10,947	689,525
Charge for year	38,798	18,670	4,685	163	62,316
At 30 June 2016	203,242	419,075	118,414	11,110	751,841
<b>NET BOOK VALUE</b>					
At 30 June 2016	2,197,192	104,967	14,729	490	2,317,378
At 30 June 2015	2,235,990	123,337	17,061	653	2,377,041

Included in cost of land and buildings is freehold land of £830,000 (2015 - £830,000) which is not depreciated.

**SOUTH MIDLANDS COMMUNICATIONS LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 30 JUNE 2016****9. FIXED ASSET INVESTMENTS****Company****Shares in  
group  
undertakings  
£****COST**At 1 July 2015  
and 30 June 2016**16,504****NET BOOK VALUE**

At 30 June 2016

**16,504**

At 30 June 2015

**16,504**

The group or the company's investments at the Balance Sheet date in the share capital of companies include the following:

**Subsidiaries****Communication Technical Services Limited**

Nature of business: Dormant

Class of shares:	% holding
Ordinary	100.00

**30.6.16**  
**£****30.6.15**  
**£**

Aggregate capital and reserves

**300****300****Hilomast Limited**

Nature of business: Dormant

Class of shares:	% holding
Ordinary	100.00

**30.6.16**  
**£****30.6.15**  
**£**

Aggregate capital and reserves

**7,400****7,400****Minns Baluns Limited**

Nature of business: Dormant

Class of shares:	% holding
Ordinary	100.00

**30.6.16**  
**£****30.6.15**  
**£**

Aggregate capital and reserves

**10****10**



**SOUTH MIDLANDS COMMUNICATIONS LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 30 JUNE 2016****9. FIXED ASSET INVESTMENTS - continued****AEL Communications Limited**

Nature of business: Dormant

	% holding		
Class of shares:			
Ordinary	100.00	<b>30.6.16</b>	30.6.15
		£	£
Aggregate capital and reserves		<u>2</u>	<u>2</u>

**Sarl Astel Communications**

Country of incorporation: France

Nature of business: Radio Communications

	% holding		
Class of shares:			
Ordinary	100.00	<b>30.6.16</b>	30.6.15
		£	£
Aggregate capital and reserves		<b>319,543</b>	338,114
(Loss)/profit for the year		<u>(18,571)</u>	<u>20,166</u>

**Hilomast LLC**

Country of incorporation: United States

Nature of business: Mast manufacture and sales

	% holding		
Class of shares:			
Ordinary	100.00	<b>30.6.16</b>	30.6.15
		£	£
Aggregate capital and reserves		<b>33,223</b>	12,242
Profit for the year		<u>20,981</u>	<u>26,415</u>

**South Midlands Communications SL**

Country of incorporation: Spain

Nature of business: Property development

	% holding		
Class of shares:			
Ordinary	100.00	<b>30.6.16</b>	30.6.15
		£	£
Aggregate capital and reserves		<b>(77,108)</b>	(62,541)
Loss for the year		<u>(14,567)</u>	<u>(9,948)</u>

**SOUTH MIDLANDS COMMUNICATIONS LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 30 JUNE 2016****9. FIXED ASSET INVESTMENTS - continued****Sarl Antennares**

Country of incorporation: France

Nature of business: Radio Communications

	% holding		
Class of shares:			
Ordinary	100.00	30.6.16	30.6.15
		£	£
Aggregate capital and reserves		(199,604)	(186,404)
Loss for the year		<u>(13,199)</u>	<u>(16,931)</u>

**SMC Solutions LLC**

Country of incorporation: United States

Nature of business: Manufacturing masthead vehicles

	% holding		
Class of shares:			
Ordinary	100.00	30.6.16	30.6.15
		£	£
Aggregate capital and reserves		(1,502)	19,163
(Loss)/profit for the year		<u>(20,728)</u>	<u>19,163</u>

**10. STOCKS**

	Group		Company	
	30.6.16	30.6.15	30.6.16	30.6.15
	£	£	£	£
Raw materials	682,689	891,635	682,689	891,635
Work-in-progress	2,105,981	1,903,327	110,901	86,453
Finished goods	<u>630,584</u>	<u>628,724</u>	<u>131,882</u>	<u>218,778</u>
	<u>3,419,254</u>	<u>3,423,686</u>	<u>925,472</u>	<u>1,196,866</u>

**11. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	Group		Company	
	30.6.16	30.6.15	30.6.16	30.6.15
	£	£	£	£
Trade debtors	626,604	1,005,231	366,318	746,868
Amounts owed by group undertakings	-	-	2,739,821	2,531,101
Other debtors	94,041	118,790	48,764	54,482
Prepayments and accrued income	<u>55,349</u>	<u>62,983</u>	<u>55,349</u>	<u>62,983</u>
	<u>775,994</u>	<u>1,187,004</u>	<u>3,210,252</u>	<u>3,395,434</u>

**SOUTH MIDLANDS COMMUNICATIONS LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 30 JUNE 2016****12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	<b>Group</b>		<b>Company</b>	
	<b>30.6.16</b>	<b>30.6.15</b>	<b>30.6.16</b>	<b>30.6.15</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Trade creditors	<b>430,509</b>	421,428	<b>234,239</b>	248,112
Amounts owed to group undertakings	-	-	<b>217,861</b>	221,223
Social security and other taxes	<b>32,289</b>	53,909	<b>30,431</b>	38,621
Other creditors	<b>179,778</b>	66,384	-	-
Directors' loan accounts	<b>113,967</b>	12,555	<b>113,967</b>	12,555
Accruals and deferred income	<b>73,144</b>	438,013	<b>73,144</b>	438,013
	<b><u>829,687</u></b>	<b><u>992,289</u></b>	<b><u>669,642</u></b>	<b><u>958,524</u></b>

**13. PROVISIONS FOR LIABILITIES**

	<b>Group</b>		<b>Company</b>	
	<b>30.6.16</b>	<b>30.6.15</b>	<b>30.6.16</b>	<b>30.6.15</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Deferred tax	<b><u>-</u></b>	<b><u>24,510</u></b>	<b><u>-</u></b>	<b><u>24,510</u></b>

**Group**

	<b>Deferred tax £</b>
Balance at 1 July 2015	<b><u>24,510</u></b>
Balance at 30 June 2016	<b><u>24,510</u></b>

**Company**

	<b>Deferred tax £</b>
Balance at 1 July 2015	<b>24,510</b>
Utilised during year	<b>(24,510)</b>
Balance at 30 June 2016	<b><u>-</u></b>

**14. CALLED UP SHARE CAPITAL**

Allotted, issued and fully paid:			<b>30.6.16</b>	<b>30.6.15</b>
Number:	Class:	Nominal value:	<b>£</b>	<b>£</b>
1,144,250	Ordinary	£1	<b><u>1,144,250</u></b>	<b><u>1,144,250</u></b>

On 27 February 2015 the company purchased 5750 of its Ordinary Shares for the sum of £11,000.

**SOUTH MIDLANDS COMMUNICATIONS LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 30 JUNE 2016****15. RESERVES****Group**

	Retained earnings £	Revaluation reserve £	Capital redemption reserve £	Other reserves £	Totals £
At 1 July 2015	3,484,405	1,886,574	5,750	28,015	5,404,744
Deficit for the year	<u>(182,149)</u>				<u>(182,149)</u>
At 30 June 2016	<u>3,302,256</u>	<u>1,886,574</u>	<u>5,750</u>	<u>28,015</u>	<u>5,222,595</u>

**Company**

	Retained earnings £	Revaluation reserve £	Capital redemption reserve £	Totals £
At 1 July 2015	3,563,685	1,723,778	5,750	5,293,213
Deficit for the year	<u>(136,065)</u>			<u>(136,065)</u>
At 30 June 2016	<u>3,427,620</u>	<u>1,723,778</u>	<u>5,750</u>	<u>5,157,148</u>

**16. RELATED PARTY DISCLOSURES**

Included within creditors amounts due within one year is £17,337 (2015: £10,969) to B Gardner (Director), £38,207 (2015: NIL) to S Nutbrown (Director), £30,247 (2015: NIL) to J Diamond (Director) and £28,175 (2015: NIL) to M Gardner (Director).

**17. ULTIMATE CONTROLLING PARTY**

The ultimate controlling party is B D Gardner (Director)

**18. FIRST YEAR ADOPTION**

This is the group's first year of adoption of FRS 102. They have taken advantage of using a previously agreed uk gaap valuation for freehold property as deemed cost. No adjustments to equity were required.