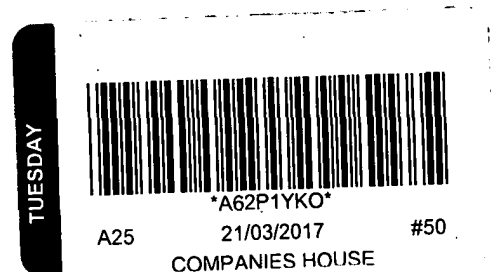


Financial Statements The Wolf Safety Lamp Company Limited

For the Year Ended 30 June 2016



Registered number: 00145428

The Wolf Safety Lamp Company Limited

Company Information

Directors

Mr A W M Jackson
Mr J N M Jackson
Mr M J N Jackson
Mr P R O'Connell
Mr A J D MacIntyre
Mr S Pendlebury
Mr M C Morley

Company secretary

Mr P R O'Connell

Registered number

00145428

Registered office

Saxon Road Works
Heeley
SHEFFIELD
S8 0YA

Independent auditor

Grant Thornton UK LLP
Chartered Accountants & Statutory Auditor
2 Broadfield Court
SHEFFIELD
S8 0XF

Bankers

National Westminster Bank plc
42 High Street
SHEFFIELD
S1 2GE

Scottish Widows Bank plc
67 Morrison Street
EDINBURGH
EH3 8YJ

Solicitors

Ironmonger Curtis LLP
Edmund House
233 Edmund Road
SHEFFIELD
S2 4EL

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Strategic Report

For the Year Ended 30 June 2016

Review of the business

We consider that the key performance indicators are those that communicate the performance and strength of the company as a whole. These are gross profit, net profit, net current assets and shareholders' funds.

Overall gross profit decreased from £6,388,445 to £5,404,609 due to weakening market conditions within the Oil & Gas sector particularly, a fall of 15%. Net profit fell to £1,597,305 from £2,093,892, a fall of 24%.

The liquidity of the company, as indicated by net current assets, increased by 14% to £8,364,611 from £7,364,669.

After taxation and dividend payments, reserves increased by £856,470 so that the year end shareholders' funds amounted to £10,445,031, an increase of 9% over the previous year end figure.

We are disappointed with the decline in performance in the year. Trading continues to be challenging in many of our markets but we believe the company is maintaining market share. We have invested in our employees, products and business systems and we shall continue to do so. These investments will position us to improve our market share regardless of the conditions within our markets. The sound financial position of the company and the skill and commitment of its staff continue to underpin our confidence and optimism.

Principle risks and uncertainties

In common with other businesses of our size we face the risks associated with current and future economic conditions and specifically how this affects our customer base. To address this we have strict credit control procedures to reduce the risk of bad debts to the company. We have an active business development programme to attract new business. We continue to make significant investments into our R&D facilities so that we can produce new innovative products that will be attractive to our existing customer base as well as new customers.

Currency risk

The company manages foreign exchange risk by settling the majority of transactions in its operating currency. We import a high percentage of our components, many of which have become more expensive as Sterling has weakened. However we have a natural hedge against this as we export 61% of our output and our exports have become relatively less expensive to those customers, facilitating sales price rises.

Brexit risk

As a result of the recent EU referendum and the decision made for the UK to leave the EU, there is a heightened uncertainty in the economic environment which may impact on revenues and the associated costs of the company. There is also further uncertainty around the regulatory environment and the future applicability of the ATEX Directive specifically, which may lead to an increase in costs for the company.

This report was approved by the board on 14 September 2016 and signed on its behalf.



Mr P R O'Connell
Director

Directors' Report

For the Year Ended 30 June 2016

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

Principal activities

The principal activity of the company during the year was the manufacture and sale of safety lamps.

Results and dividends

The profit for the year, after taxation, amounted to £1,597,305 (2015 -£2,093,892).

Details of dividends payable are disclosed in note 23 to the financial statements.

Directors

The directors who served during the year and their interests in the company's issued share capital were:

	Ordinary shares of £1 each	
	30/6/16	1/7/15
Mr A W M Jackson	1,279	450
Mr J N M Jackson	1,500	2,000
Mr M J N Jackson	1,738	1,038
Mr I G Tinker (resigned 7 April 2016)	-	-
Mr P R O'Connell (appointed 1 December 2015)	-	-
Mr A J D MacIntyre	-	-
Mr S Pendlebury (appointed 5 October 2015)	-	-

Mr M C Morley was appointed as a director on 15 August 2016.

Charitable donations

During the year the company made charitable donations amounting to £7,265 (2015 - £7,360).

Research and development activities

The company continues to invest in research and development and writes off the cost in the year expenditure is incurred.

The company intends to further expand its product range whilst maintaining its technical excellence.

Directors' Report

For the Year Ended 30 June 2016

Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 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 for the company financial statements and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

Disclosure of information to auditor

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

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

Post balance sheet events

There have been no significant events affecting the company since the year end.

The Wolf Safety Lamp Company Limited

Directors' Report

For the Year Ended 30 June 2016

Auditors

The auditor, Grant Thornton UK LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

General

The directors wish to thank all members of the company as well as those external organisations who have provided expert help and advice in achieving the worthwhile results.

This report was approved by the board on 14 September 2016 and signed on its behalf.

A handwritten signature in black ink, appearing to read 'P R O'Connell', written in a cursive style.

Mr P R O'Connell
Director

Independent Auditor's Report to the Members of The Wolf Safety Lamp Company Limited

We have audited the financial statements of The Wolf Safety Lamp Company Limited for the year ended 30 June 2016, which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Equity, and the related notes. The relevant financial reporting framework that has been applied in their preparation is the Companies Act 2006 and the 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 shareholders, 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 shareholders those matters we are required to state to them in an Auditor's Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and Auditor

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion 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 directors' report has been prepared in accordance with applicable legal requirements.



Independent Auditor's Report to the Members of The Wolf Safety Lamp Company Limited

Matters on which we are required to report by exception

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

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

A handwritten signature in black ink, appearing to read "P. Edwards".

Peter Edwards (Senior Statutory Auditor)
for and on behalf of
Grant Thornton UK LLP
Chartered Accountants
Statutory Auditor
SHEFFIELD

14 September 2016

Statement of Comprehensive Income

For the Year Ended 30 June 2016

	Note	2016 £	2015 £
Turnover	4	10,637,852	12,216,634
Cost of sales		(5,233,243)	(5,828,189)
Gross profit		5,404,609	6,388,445
Distribution costs		(135,872)	(170,791)
Administrative expenses		(3,369,160)	(3,664,661)
Operating profit	5	1,899,577	2,552,993
Interest receivable and similar income	9	15,228	11,422
Profit on ordinary activities before taxation		1,914,805	2,564,415
Tax on profit on ordinary activities	10	(317,500)	(470,523)
Profit for the financial year		1,597,305	2,093,892

There were no recognised gains and losses for 2016 or 2015 other than those included in the income statement.

There was no other comprehensive income for 2016 (2015: £Nil).

The notes on pages 11 to 28 form part of these financial statements.

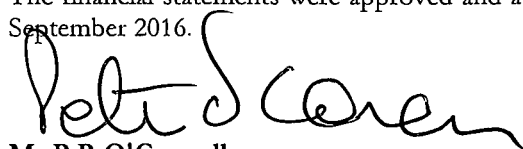
All amounts relate to continuing operations.

Statement of Financial Position

As at 30 June 2016

	Note	2016 £	2015 £
Fixed assets			
Intangible assets	11	390,925	473,225
Tangible assets	12	1,764,495	1,842,221
Investments	13	-	6,346
		<u>2,155,420</u>	<u>2,321,792</u>
Current assets			
Stocks	14	2,724,092	3,161,596
Debtors	15	1,984,663	1,965,105
Cash at bank	16	4,779,387	3,921,353
		<u>9,488,142</u>	<u>9,048,054</u>
Creditors: amounts falling due within one year	17	(1,123,531)	(1,683,385)
Net current assets		<u>8,364,611</u>	<u>7,364,669</u>
Total assets less current liabilities		<u>10,520,031</u>	<u>9,686,461</u>
Creditors: amounts falling due after more than one year	18	-	(8,400)
Provisions for liabilities			
Deferred tax	20	(75,000)	(89,500)
		<u>(75,000)</u>	<u>(89,500)</u>
Net assets		<u><u>10,445,031</u></u>	<u><u>9,588,561</u></u>
Capital and reserves			
Called up share capital	21	14,670	14,670
Revaluation reserve	22	157,848	162,630
Capital redemption reserve	22	2,000	2,000
Profit and loss account	22	10,270,513	9,409,261
Shareholders' funds		<u><u>10,445,031</u></u>	<u><u>9,588,561</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 14 September 2016.



Mr P R O'Connell
Director

The notes on pages 11 to 28 form part of these financial statements.

Statement of Changes in Equity

For the Year Ended 30 June 2016

	Share capital	Capital redemption reserve	Revaluation reserve	Retained earnings	Total equity
	£	£	£	£	£
At 1 July 2015	14,670	2,000	162,630	9,409,261	9,588,561
Profit for the financial year	-	-	-	1,597,305	1,597,305
Excess depreciation on revalued assets	-	-	-	4,782	4,782
Dividends: Equity capital	-	-	-	(740,835)	(740,835)
Excess depreciation on revalued assets	-	-	(4,782)	-	(4,782)
At 30 June 2016	14,670	2,000	157,848	10,270,513	10,445,031

Statement of Changes in Equity

For the Year Ended 30 June 2015

	Share capital	Capital redemption reserve	Revaluation reserve	Retained earnings	Total equity
	£	£	£	£	£
At 1 July 2014	14,670	2,000	167,412	8,048,048	8,232,130
Profit for the financial year	-	-	-	2,093,892	2,093,892
Excess depreciation on revalued assets	-	-	-	4,782	4,782
Dividends: Equity capital	-	-	-	(737,461)	(737,461)
Excess depreciation on revalued assets	-	-	(4,782)	-	(4,782)
At 30 June 2015	14,670	2,000	162,630	9,409,261	9,588,561

The notes on pages 11 to 28 form part of these financial statements.

Statement of Cash Flows

For the Year Ended 30 June 2016

	2016 £	2015 £
Cash flows from operating activities		
Profit for the financial year	1,597,305	2,093,892
Adjustments for:		
Amortisation of intangible assets	82,300	82,300
Depreciation of tangible assets	192,654	212,514
Profit on disposal of tangible assets and investment write off	(10,082)	(12,966)
Increase in stocks	437,504	(1,046,721)
Interest received	(15,228)	(11,422)
Taxation charge	317,500	470,523
Increase in debtors	8,442	157,389
Increase in creditors	(336,854)	28,840
Corporation tax paid	(583,000)	(434,955)
Net cash generated from operating activities	1,690,541	1,539,394
Cash flows from investing activities		
Purchase of tangible fixed assets	(136,100)	(121,258)
Sale of tangible fixed assets	29,200	31,801
Interest received	15,228	11,422
Net cash from investing activities	(91,672)	(78,035)
Cash flows from financing activities		
Dividends paid	(740,835)	(737,461)
Net cash used in financing activities	(740,835)	(737,461)
Net increase in cash and cash equivalents	858,034	723,898
Cash and cash equivalents at beginning of year	3,921,353	3,197,455
Cash and cash equivalents at the end of year	4,779,387	3,921,353
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	4,779,387	3,921,353

The notes on pages 11 to 28 form part of these financial statements.

Notes to the Financial Statements

For the Year Ended 30 June 2016

1. General information

The company is limited by shares and is incorporated in England and Wales. Its registered office is situated at Saxon Road Works, Heeley, Sheffield, S8 0YA.

2. Accounting policies

2.1 Basis of preparation of financial statements

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

Information on the impact of first-time adoption of FRS 102 is given in note 30.

The company's functional and presentation currency is the pound sterling.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Going concern

After reviewing the company's forecasts and projections, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The company therefore continues to adopt the going concern basis in preparing its financial statements.

2.3 Basis of consolidation

The company disposed of its subsidiary, The Wolf Engineering Company Limited, during the financial year.

In the previous year, the company has taken advantage of the exemption to the requirement to prepare group accounts under section 402 of the Companies Act 2006 on the grounds that the inclusion of the subsidiary (which is dormant) is not material for the purpose of giving a true and fair view. The financial statements present information about the company as an individual undertaking and not about its group.

Notes to the Financial Statements

For the Year Ended 30 June 2016

2. Accounting policies (continued)

2.4 Revenue

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

Sale of goods

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

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

2.5 Intangible fixed assets and amortisation

Goodwill

Goodwill represents the difference between amounts paid on the cost of a business combination and the acquirer's interest in the fair value of its identifiable assets and liabilities of the acquiree at the date of acquisition. Subsequent to initial recognition, Goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight line basis to the Income Statement over its useful economic life.

Other intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed 10 years.

The estimated useful lives range as follows:

Goodwill	-	10	years
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Notes to the Financial Statements

For the Year Ended 30 June 2016

2. Accounting policies (continued)

2.6 Tangible fixed assets and depreciation

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses or at revaluation, as deemed cost on transition to FRS 102. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

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

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

Land is not depreciated. Depreciation on other assets is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method, except where mentioned.

Depreciation is provided on the following basis:

Freehold buildings	- 2%
Plant & machinery	- 15% reducing balance
Motor vehicles	- 25%
Office equipment	- 15% reducing balance
Computer equipment	- 20%-50%
Production tools	- 10%-50%

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

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

2.7 Investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.8 Stocks and work in progress

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

Notes to the Financial Statements

For the Year Ended 30 June 2016

2. Accounting policies (continued)

2.9 Current and deferred taxation

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

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

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

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

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

2.10 Research and development

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred. Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured. The capitalised development costs are subsequently amortised on a straight line basis over their useful economic lives, which range from 3 to 6 years.

If it is not possible to distinguish between the research phase and the development phase of an internal project. The expenditure is treated as if it were all incurred in the research phase only.

2.11 Pensions

Defined contribution pension plan

The company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. Once the contributions have been paid the company has no further payments obligations.

The contributions are recognised as an expense in the Income Statement when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the company in independently administered funds.

Notes to the Financial Statements

For the Year Ended 30 June 2016

2. Accounting policies (continued)

2.12 Impairment of fixed assets and goodwill

Assets that are subject to depreciation or amortisation are assessed at each reporting date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets that have been previously impaired are reviewed at each reporting date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

2.13 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.14 Cash and cash equivalents

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

In the Statement of Cash Flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the company's cash management.

2.15 Financial instruments

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

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration, expected to be paid or received. However if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

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

Notes to the Financial Statements

For the Year Ended 30 June 2016

2. Accounting policies (continued)

2.15 Financial instruments (continued)

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

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

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

2.16 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.17 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

2.18 Interest income

Interest income is recognised in the Income Statement using the effective interest method.

2.19 Provisions for liabilities

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

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

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

Notes to the Financial Statements

For the Year Ended 30 June 2016

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

Preparation of the financial statements requires management to make significant judgements and estimates. The items in the financial statements where these judgements and estimates have been made include:

Bad debt provision

Provisions are made for specific customers if the financial position of a customer indicates deterioration in their ability to make payment.

Provision for slow-moving stocks

Where the company has excess amounts of stock or stock is showing signs of obsolescence, which may indicate that the selling price may be below cost, then a provision is made against stock to reduce the value of stock to the lower of cost or estimated selling price.

4. Analysis of turnover

Analysis of turnover by country of destination:

	2016 £	2015 £
United Kingdom	4,432,190	4,791,298
Rest of European Union	2,895,608	2,158,416
Rest of world	3,310,054	5,266,920
	<u>10,637,852</u>	<u>12,216,634</u>

5. Operating profit

The operating profit is stated after charging:

	2016 £	2015 £
Research and development expenditure written off	234,776	221,002
Depreciation of owned fixed assets	192,654	212,514
Amortisation of intangible assets	82,300	82,300
Profit on disposal of fixed assets and gain on investment write off	(10,082)	(12,966)

Notes to the Financial Statements

For the Year Ended 30 June 2016

6. Auditor's remuneration

	2016 £	2015 £
Fees payable to the company's auditor and its associates for the audit of the company's annual accounts	12,300	12,000
Fees payable to the company's auditor and in respect of:		
All other services	<u>11,332</u>	<u>5,650</u>

The directors propose that the company enter into a liability limitation agreement with Grant Thornton UK LLP, the statutory auditor, in respect of the statutory audit for the year ended 30 June 2016. The proportionate liability agreement follows the standard terms in Appendix B to the Financial Reporting Council's June 2008 Guidance on Auditor Liability Agreements, and will be proposed for approval at the forthcoming Annual General Meeting.

7. Staff costs

Staff costs, including directors' remuneration, were as follows:

	2016 £	2015 £
Wages and salaries	2,459,198	2,802,182
Social security costs	295,988	346,055
Other pension costs	150,631	130,035
	<u>2,905,817</u>	<u>3,278,272</u>

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

	2016 No.	2015 No.
Production staff	25	26
Administrative staff	8	8
Management staff	5	5
	<u>38</u>	<u>39</u>

Notes to the Financial Statements

For the Year Ended 30 June 2016

8. Directors' remuneration

	2016 £	2015 £
Remuneration	1,431,457	1,650,584
Company pension contributions to defined contribution pension schemes	70,317	84,958
	<u>1,501,774</u>	<u>1,735,542</u>

During the year retirement benefits were accruing to 6 directors (2015 -3) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £336,113 (2015 -£479,525).

9. Interest receivable

	2016 £	2015 £
Interest receivable	<u>15,228</u>	<u>11,422</u>

10. Taxation

	2016 £	2015 £
Corporation tax		
UK corporation tax charge on profit for the year	331,919	478,000
Adjustments in respect of prior periods	81	8,023
Total current tax	<u>332,000</u>	<u>486,023</u>
Deferred tax		
Origination and reversal of timing differences	(14,500)	(14,364)
Under provided	-	(1,136)
Total deferred tax	<u>(14,500)</u>	<u>(15,500)</u>
Tax on profit on ordinary activities	<u>317,500</u>	<u>470,523</u>

Notes to the Financial Statements

For the Year Ended 30 June 2016

10. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2015 - lower than) the standard rate of corporation tax in the UK of 20% (2015 - 20.75%). The differences are explained below:

	2016 £	2015 £
Profit on ordinary activities before tax	<u>1,914,805</u>	<u>2,564,415</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2015 - 20.75%)	382,961	531,882
Effects of:		
Expenses not deductible for tax purposes	175	78
Capital allowances for year in excess of depreciation	1,695	-
Adjustments to tax charge in respect of prior periods	81	8,023
Adjustments to tax charge in respect of prior periods - deferred tax	-	(1,136)
Adjustment in research and development tax credit leading to a decrease in the tax charge	(59,009)	(69,905)
Effects of changes in tax rates	(8,348)	571
Deferred tax not recognised	(500)	839
Rounding on tax charge	445	171
Current tax charge for the year (see note above)	<u>317,500</u>	<u>470,523</u>

Factors that may affect future tax charges

There were no factors that may affect future tax charges.

Notes to the Financial Statements

For the Year Ended 30 June 2016

11. Intangible fixed assets

	Goodwill £
Cost	
At 1 July 2015	823,000
At 30 June 2016	<u>823,000</u>
Amortisation	
At 1 July 2015	349,775
Charge for the year	82,300
At 30 June 2016	<u>432,075</u>
Net book value	
At 30 June 2016	<u><u>390,925</u></u>
At 30 June 2015	<u><u>473,225</u></u>

The company previously acquired the trade and assets in relation to two ranges of associated products. Consideration of £850,000 was paid, of which £27,000 related to the acquisition of certain fixed assets and was included in fixed assets. The balance of £823,000 is included in goodwill above and continues to be written off over its estimated useful life of 10 years.

Notes to the Financial Statements

For the Year Ended 30 June 2016

12. Tangible fixed assets

	Freehold land and buildings £	Motor vehicles £	Plant & machinery, office equipment and production tools £	Computer equipment £	Total £
Cost or valuation					
At 1 July 2015	1,487,348	257,560	1,908,947	171,302	3,825,157
Additions	30,103	-	95,150	10,847	136,100
Disposals	-	(42,344)	-	-	(42,344)
At 30 June 2016	<u>1,517,451</u>	<u>215,216</u>	<u>2,004,097</u>	<u>182,149</u>	<u>3,918,913</u>
Depreciation					
At 1 July 2015	275,155	107,784	1,433,488	166,509	1,982,936
Charge owned for the period	27,012	53,804	101,622	10,216	192,654
Disposals	-	(21,172)	-	-	(21,172)
At 30 June 2016	<u>302,167</u>	<u>140,416</u>	<u>1,535,110</u>	<u>176,725</u>	<u>2,154,418</u>
Net book value					
At 30 June 2016	<u>1,215,284</u>	<u>74,800</u>	<u>468,987</u>	<u>5,424</u>	<u>1,764,495</u>
At 30 June 2015	<u>1,212,193</u>	<u>149,776</u>	<u>475,459</u>	<u>4,793</u>	<u>1,842,221</u>

The total freehold land included in freehold land and buildings is £166,890 (2015 - £166,890) which is not depreciated.

Cost or valuation of freehold land and buildings at 30 June 2016 is as follows:

	Freehold land and buildings £
At cost	1,242,451
At valuation:	
1995	<u>275,000</u>
	<u><u>1,517,451</u></u>

Notes to the Financial Statements

For the Year Ended 30 June 2016

12. Tangible fixed assets (continued)

If the freehold land and buildings had not been included at valuation they would have been included under the historical cost convention as follows:

	2016 £	2015 £
Cost	1,278,307	1,248,204
Accumulated depreciation	(221,330)	(199,102)
Net book value	1,056,977	1,049,102

13. Fixed asset investments

	Investments in subsidiary companies £
Cost	
At 1 July 2015	6,346
Amounts written off	(6,346)
Net book value	
At 30 June 2016	-
At 30 June 2015	6,346

Subsidiary undertakings

The following were subsidiary undertakings of the company:

Name	Country of incorporation	Class of shares	Holding	Principal activity
The Wolf Engineering Company Limited	United Kingdom	Ordinary	100 %	The company did not trade during the year.

The Wolf Engineering Company Limited was dissolved on 17 May 2016.

Notes to the Financial Statements

For the Year Ended 30 June 2016

14. Stocks

	2016 £	2015 £
Components and work in progress	1,871,672	1,440,971
Finished goods and goods for resale	852,420	1,720,625
	<u>2,724,092</u>	<u>3,161,596</u>

Stock recognised in cost of sales during the year as an expense was £4,522,558 (2015 - £5,093,750).

An impairment loss of £53,417 (2015 - £17,128) was recognised in cost of sales against stock during the year due to slow-moving and obsolete stock.

15. Debtors

	2016 £	2015 £
Trade debtors	1,838,197	1,840,646
Other debtors	93,907	70,284
Prepayments and accrued income	52,559	54,175
	<u>1,984,663</u>	<u>1,965,105</u>

Trade debtors are stated after a provision for impairment of £6,641 (2015 - £929)

16. Cash and cash equivalents

	2016 £	2015 £
Cash at bank	<u>4,779,387</u>	<u>3,921,353</u>

Notes to the Financial Statements

For the Year Ended 30 June 2016

17. Creditors: Amounts falling due within one year

	2016 £	2015 £
Trade creditors	452,880	475,557
Corporation tax	-	223,000
Other taxation and social security	156,255	316,169
Other creditors	37,386	36,621
Accruals and deferred income	477,010	632,038
	<u>1,123,531</u>	<u>1,683,385</u>

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

	2016 £	2015 £
Amounts owed to group undertakings	-	8,400
	<u>-</u>	<u>8,400</u>

19. Financial instruments

	2016 £	2015 £
Financial assets measured at amortised cost		
Trade debtors	1,838,197	1,840,646
	<u>1,838,197</u>	<u>1,840,646</u>
Financial liabilities measured at amortised cost		
Trade creditors	452,880	475,557
Other creditors	37,386	36,621
Accruals	477,010	632,038
Amounts owed to group undertakings	-	8,400
	<u>967,276</u>	<u>1,152,616</u>

Notes to the Financial Statements

For the Year Ended 30 June 2016

20. Deferred taxation

	Deferred tax £
At 1 July 2015	(89,500)
Charged to the profit or loss	14,500
At 30 June 2016	(75,000)

The provision for deferred taxation is made up as follows:

	2016 £	2015 £
Accelerated capital allowances	(75,000)	(89,500)

21. Share capital

	2016 £	2015 £
Allotted, called up and fully paid		
14,670 Ordinary shares of £1 each	14,670	14,670

22. Reserves

Revaluation reserve

Revaluation reserve - this is the difference on depreciation charge between historical cost and the revalued amount.

Capital redemption reserve

Capital redemption reserve - this is a non-distributable reserve and represents paid up share capital.

Profit & loss account

Profit and loss account - includes all current and prior period retained profits and losses.

Notes to the Financial Statements

For the Year Ended 30 June 2016

23. Dividends

	2016 £	2015 £
Dividends paid	<u>740,835</u>	<u>737,461</u>

After the year end the directors proposed a dividend of £176,040 (2015 - £300,735).

24. Contingent liabilities

There were no contingent liabilities at 30 June 2016 or 30 June 2015.

25. Capital commitments

There were no capital commitments at 30 June 2016 or 30 June 2015.

26. Pension commitments

The company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £150,631 (2015 - £130,035). The pension commitment at 30 June 2016 was £Nil (2015 - £Nil).

27. Operating lease commitments

There were no operating lease commitments at 30 June 2016 or 30 June 2015.

28. Related party transactions

	2016 £	2015 £
Key management personnel compensation	<u>1,598,135</u>	<u>1,799,580</u>
	<u>1,598,135</u>	<u>1,799,580</u>

29. Controlling party

The directors do not consider there to be an ultimate controlling party of the company.

Notes to the Financial Statements

For the Year Ended 30 June 2016

30. First time adoption of FRS 102

The policies applied under the entity's previous accounting framework are not materially different to FRS 102 and have not impacted on equity or profit or loss.

In the year there have been a number of presentational changes as a result of the conversion to FRS 102. This is the first year that the company has presented its results under FRS 102. The last financial statements under UK GAAP were for the year ended 30 June 2015. The date of transition to FRS 102 was 1 July 2014.