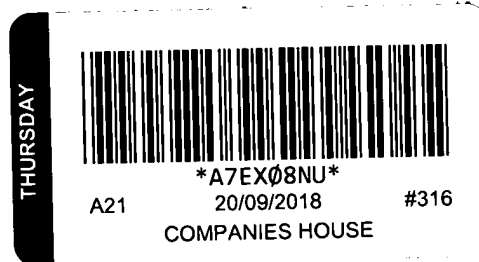


THE LEEDS WELDING COMPANY LIMITED

FINANCIAL STATEMENTS

31 DECEMBER 2017



ArmstrongWatson®

Accountants, Business & Financial Advisers

THE LEEDS WELDING COMPANY LIMITED

COMPANY INFORMATION

Directors

T P Archer
L R Noyland
R G Eaglen
G S Almond
I Verity (appointed 3 January 2017)

Company secretary

T P Archer

Registered number

00388598

Registered office

Westland Square
Dewsbury Road
West Yorkshire
LS11 5SS

Independent auditor

Armstrong Watson Audit Limited
Chartered Accountants & Statutory Auditors
Third Floor
10 South Parade
Leeds
West Yorkshire
LS1 5QS

Bankers

Lloyds Bank plc
65-68 Briggate
Leeds
West Yorkshire
LS1 6LH

THE LEEDS WELDING COMPANY LIMITED

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THE LEEDS WELDING COMPANY LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

Introduction

The directors present their strategic report for The Leeds Welding Company Ltd for the year ended 31 December 2017.

Business review

During 2017 the company experienced a sustained period of reorganization in order to maximise long term benefits within the manufacturing process. This included utilization of additional premises, major investment into capital equipment and significant changes to the factory layout. During Q4 exploration into the prospect of designing and developing a range of products aimed at the agricultural sector took place. Investment in new designs, tooling, stock, staff and marketing will commence early in 2018 and will continue throughout the year.

Principal risks and uncertainties

Management continually monitor the key risks facing the Company together with assessing the controls used for managing these risks. The board of directors formally reviews and documents the principal risks facing the business at least annually.

The principal risks and uncertainties facing the Company are as follows:

Economic downturn

The Company acknowledges the importance of maintaining close relationships with its key customers in order to be able to identify the early signs of potential financial difficulties. Sales trends in its major markets are constantly reviewed to enable early action to be taken in the event of sales declining.

Competitor pressure

The markets in which the Company operates are considered to be relatively competitive and therefore competitor pressure could result in losing sales to key competitors. The Company manages this risk by providing quality service and products whilst maintaining strong relationships with its key customers.

Energy prices

There is a risk of global energy prices increasing. This risk has been mitigated by entering into fixed energy contracts together with the purchase of energy efficient machinery.

Reliance on key suppliers

The Company's purchasing activities could expose it to over reliance on certain suppliers and inflationary pricing pressure. The Company manages this risk by ensuring there is enough breadth in its supplier base, constantly reviewing prices and seeking to find alternative suppliers where necessary.

Loss of key personnel

This could present operational difficulties for the Company. However, management have ensured that key personnel are appropriately remunerated to reflect good performance together with ensuring there is a robust company structure in place.

Old Equipment/Technology

The risk being the reliance upon old technology or equipment. In order to mitigate this potential risk, the company ensures all equipment is maintained and that there is continuous investment in the latest equipment/technology.

THE LEEDS WELDING COMPANY LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

Financial key performance indicators

We consider that our key performance indicators are turnover, gross margin, profit before taxation and shareholders funds.

The performance of the company was as follows:

	2017	2016	2015	2014
Turnover	10,985,616	10,314,405	9,813,682	10,121,853
Gross Margin	2,904,233	3,222,152	3,076,725	3,149,530
Gross Margin (%)	26.4%	31.2%	31.4%	31.1%
Profit before taxation	848,744	1,498,253	1,481,404	1,258,081
Profit before taxation (%)	7.7%	14.5%	15.1%	12.4%
Equity Shareholder's Funds	887,907	851,716	795,132	1,042,623

Turnover increased during the year by 6.5%. This was principally driven by an increase in production facilities, leading to additional capacity and the ability to provide additional goods and services to new and existing customers.

The gross profit margin in the year decreased due to an increase in the price of raw materials together with the disruption in productivity through the moving into additional premises and the reorganisation of existing factory space in order to provide longer term efficiencies.

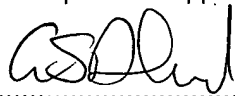
The company had a net current liability position due to the increased level of investment into the latest equipment/technologies, many of which have been financed via hire purchase agreements. In addition, working capital has been financed through an invoice financing facility in the year.

The cash at bank position at the year was positive. Both trade debtors and creditors were higher at the year end compared with the previous year due to an increase in trading activity.

This report was approved by the board on

14/9/18

and signed on its behalf.



.....
G S Almond
Director

THE LEEDS WELDING COMPANY LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

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

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's financial statements and then apply them consistently;
- make judgments 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 transactions and disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Results and dividends

The profit for the year, after taxation, amounted to £815,191 (2016 - £1,223,892).

Dividends of £674,000 were voted in the year (2016 - £1,167,308).

Directors

The directors who served during the year were:

T P Archer
L R Noyland
R G Eaglen
G S Almond
I Verity (appointed 3 January 2017)

Future developments

Please see the business review section of the strategic report for details of future developments.

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 the director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the 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.

THE LEEDS WELDING COMPANY LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2017**

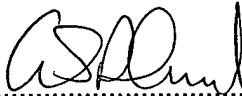
Auditor

Under section 487(2) of the Companies Act 2006, Armstrong Watson Audit Limited will be deemed to have been reappointed as auditor 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the accounts with the registrar, whichever is earlier.

This report was approved by the board on

14/9/18

and signed on its behalf.



.....
G S Almond
Director

THE LEEDS WELDING COMPANY LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF THE LEEDS WELDING COMPANY LIMITED

Opinion

We have audited the financial statements of The Leeds Welding Company Limited (the 'Company') for the year ended 31 December 2017, which comprise the Statement of comprehensive income, the Balance sheet, the Statement of cash flows, the Statement of changes in equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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

THE LEEDS WELDING COMPANY LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF THE LEEDS WELDING COMPANY LIMITED (CONTINUED)

required to report that fact.

We have nothing to report in this regard.

Opinion 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 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, 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.

Responsibilities of directors

As explained more fully in the Directors' responsibilities statement on page 3, 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 Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

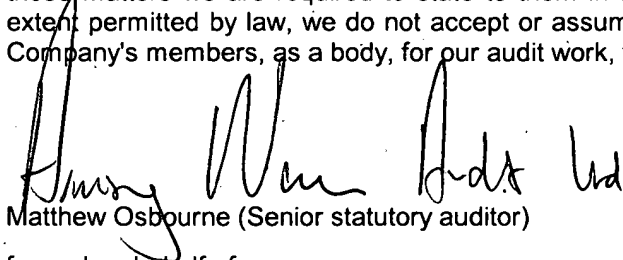
A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditor's report.

THE LEEDS WELDING COMPANY LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF THE LEEDS WELDING COMPANY LIMITED (CONTINUED)

Use of our report

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

A handwritten signature in black ink, appearing to read 'Matthew Osbourne', is written over the printed name.

Matthew Osbourne (Senior statutory auditor)

for and on behalf of

Armstrong Watson Audit Limited

Chartered Accountants & Statutory Auditors

Leeds

Date: 18/9/18

THE LEEDS WELDING COMPANY LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017**

	Note	2017 £	2016 £
Turnover	4	10,985,616	10,314,405
Cost of sales		(8,081,383)	(7,092,253)
Gross profit		2,904,233	3,222,152
Administrative expenses		(2,062,676)	(1,770,911)
Other operating income	5	66,435	75,587
Operating profit	6	907,992	1,526,828
Interest receivable and similar income	10	544	190
Interest payable and expenses	11	(29,792)	(28,765)
Profit before tax		878,744	1,498,253
Tax on profit	12	(63,553)	(274,361)
Profit for the financial year		815,191	1,223,892
Other comprehensive income for the year			
Total comprehensive income for the year		815,191	1,223,892

The notes on pages 13 to 27 form part of these financial statements.

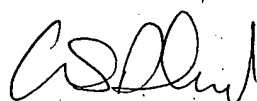
THE LEEDS WELDING COMPANY LIMITED
REGISTERED NUMBER: 00388598

BALANCE SHEET
AS AT 31 DECEMBER 2017

	Note	2017 £	2016 £
Fixed assets			
Tangible assets	14	2,501,102	1,593,412
		<u>2,501,102</u>	<u>1,593,412</u>
Current assets			
Stocks	15	419,774	463,097
Debtors: amounts falling due within one year	16	3,280,557	2,692,924
Cash at bank and in hand	17	167,757	285,279
		<u>3,868,088</u>	<u>3,441,300</u>
Creditors: amounts falling due within one year	18	(4,205,836)	(3,493,834)
Net current liabilities		<u>(337,748)</u>	<u>(52,534)</u>
Total assets less current liabilities		<u>2,163,354</u>	<u>1,540,878</u>
Creditors: amounts falling due after more than one year	19	(965,162)	(513,581)
Provisions for liabilities			
Deferred tax	21	(205,285)	(175,581)
		<u>(205,285)</u>	<u>(175,581)</u>
Net assets		<u>992,907</u>	<u>851,716</u>
Capital and reserves			
Called up share capital	22	1,170	1,170
Share premium account	23	49,920	49,920
Capital redemption reserve	23	41,040	41,040
Other reserves	23	23,346	23,346
Profit and loss account	23	877,431	736,240
		<u>992,907</u>	<u>851,716</u>

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

14/9/18



G S Almond
Director

The notes on pages 13 to 27 form part of these financial statements.

THE LEEDS WELDING COMPANY LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017

	Called up share capital	Share premium account	Capital redemption reserve	Share option reserve	Profit and loss account	Total equity
	£	£	£	£	£	£
At 1 January 2017	1,170	49,920	41,040	23,346	736,240	851,716
Comprehensive income for the year						
Profit for the year	-	-	-	-	815,191	815,191
Other comprehensive income for the year						
	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	815,191	815,191
Dividends: Equity capital	-	-	-	-	(674,000)	(674,000)
Total transactions with owners	-	-	-	-	(674,000)	(674,000)
At 31 December 2017	1,170	49,920	41,040	23,346	877,431	992,907

The notes on pages 13 to 27 form part of these financial statements.

THE LEEDS WELDING COMPANY LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016

	Called up share capital	Share premium account	Capital redemption reserve	Share option reserve	Profit and loss account	Total equity
	£	£	£	£	£	£
At 1 January 2016	1,170	49,920	41,040	23,346	679,656	795,132
Comprehensive income for the year						
Profit for the year	-	-	-	-	1,223,892	1,223,892
Other comprehensive income for the year						
	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	1,223,892	1,223,892
Dividends: Equity capital	-	-	-	-	(1,167,308)	(1,167,308)
Total transactions with owners	-	-	-	-	(1,167,308)	(1,167,308)
At 31 December 2016	1,170	49,920	41,040	23,346	736,240	851,716

The notes on pages 13 to 27 form part of these financial statements.

THE LEEDS WELDING COMPANY LIMITED

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2017**

	2017 £	2016 £
Cash flows from operating activities		
Profit for the financial year	815,191	1,223,892
Adjustments for:		
Depreciation of tangible assets	343,349	272,443
Loss on disposal of tangible assets	(35,000)	(17,552)
Government grants	(2,835)	(15,587)
Interest paid	29,792	28,765
Interest received	(544)	(190)
Taxation charge	63,553	248,845
Decrease/(increase) in stocks	43,323	(146,052)
(Increase) in debtors	(587,637)	(453,970)
Increase in creditors	677,810	720,093
Corporation tax (paid)	(291,757)	(202,395)
Net cash generated from operating activities	1,055,245	1,658,292
Cash flows from investing activities		
Purchase of tangible fixed assets	(1,251,037)	(405,507)
Sale of tangible fixed assets	35,000	53,235
Government grants received	2,835	15,587
Interest received	544	190
HP interest paid	(29,792)	(28,765)
Net cash from investing activities	(1,242,450)	(365,260)
Cash flows from financing activities		
Repayment of/new finance leases	743,679	36,341
Dividends paid	(674,000)	(1,167,308)
Net cash used in financing activities	69,679	(1,130,967)
Net (decrease)/increase in cash and cash equivalents	(117,526)	162,065
Cash and cash equivalents at beginning of year	285,279	123,214
Cash and cash equivalents at the end of year	167,753	285,279
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	167,753	285,279
	167,753	285,279

THE LEEDS WELDING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

1. General information

The principal activity of the Company during the year was that of metal fabrication operating from their registered office located in Westland Square, Dewsbury Road, Leeds, West Yorkshire, LS11 5SS.

The company is a limited liability company incorporated and domiciled in the United Kingdom. The company is a tax resident in the United Kingdom. The accounts have been prepared in Sterling (£)

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

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

The following principal accounting policies have been applied:

2.2 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; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

2.3 Tangible fixed assets

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 LEEDS WELDING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

2. Accounting policies (continued)

2.3 Tangible fixed assets (continued)

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

Depreciation is provided on the following basis:

Leasehold Property	- 12.5% on cost
Plant and machinery	- 12.5% on cost
Motor vehicles	- 25% on cost
Office equipment	- 25% on cost

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 in the Statement of comprehensive income.

2.4 Stocks

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

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

2.5 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.

2.6 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.

2.7 Financial instruments

The Company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, 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 debtors and creditors, 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

THE LEEDS WELDING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

2. Accounting policies (continued)

2.7 Financial instruments (continued)

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 the 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 Statement of comprehensive income.

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

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate 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 balance sheet date.

Financial assets and liabilities are offset and the net amount reported in the Balance sheet 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.

2.8 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.

2.9 Government grants

Grants are accounted under the accruals model as permitted by FRS 102. Grants relating to expenditure on tangible fixed assets are credited to the Statement of comprehensive income at the same rate as the depreciation on the assets to which the grant relates. The deferred element of grants is included in creditors as deferred income.

Grants of a revenue nature are recognised in the Statement of comprehensive income in the same period as the related expenditure.

2.10 Finance costs

Finance costs are charged to the Statement of comprehensive income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.11 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. Dividends on shares recognised as liabilities are recognised as expenses and classified within interest payable.

THE LEEDS WELDING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

2. Accounting policies (continued)

2.12 Operating leases: the Company as lessor

Rentals income from operating leases is credited to the Statement of comprehensive income on a straight line basis over the term of the relevant lease.

Amounts paid and payable as an incentive to sign an operating lease are recognised as a reduction to income over the lease term on a straight line basis, unless another systematic basis is representative of the time pattern over which the lessor's benefit from the leased asset is diminished.

The Company has taken advantage of the optional exemption available on transition to FRS 102 which allows lease incentives on leases entered into before the date of transition to the standard 01 January 2016 to continue to be charged over the period to the first market rent review rather than the term of the lease.

2.13 Operating leases: the Company as lessee

Rentals paid under operating leases are charged to the Statement of comprehensive income on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

The Company has taken advantage of the optional exemption available on transition to FRS 102 which allows lease incentives on leases entered into before the date of transition to the standard 01 January 2016 to continue to be charged over the period to the first market rent review rather than the term of the lease.

2.14 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 payment obligations.

The contributions are recognised as an expense in the Statement of comprehensive income when they fall due. Amounts not paid are shown in accruals as a liability in the Balance sheet. The assets of the plan are held separately from the Company in independently administered funds.

2.15 Holiday pay accrual

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

2.16 Interest income

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

THE LEEDS WELDING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

2. Accounting policies (continued)

2.17 Provisions for liabilities

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

Provisions are charged as an expense to the Statement of comprehensive income in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Balance sheet 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 Balance sheet.

2.18 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of comprehensive income, except that a charge 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 balance sheet 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 Balance sheet 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 balance sheet date.

2.19 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.

THE LEEDS WELDING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

The preparation of these financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses.

Judgements and estimates are continually evaluated and are based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

There are no key sources of estimation uncertainty in applying accounting policies in the financial statements.

4. Turnover

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

	2017 £	2016 £
Metal Fabrication	10,972,076	10,305,980
Rent receivable	13,540	8,425
	<u>10,985,616</u>	<u>10,314,405</u>

Analysis of turnover by country of destination:

	2017 £	2016 £
United Kingdom	10,985,616	10,314,405
	<u>10,985,616</u>	<u>10,314,405</u>

5. Other operating income

	2017 £	2016 £
Government grants receivable	2,835	15,587
Sundry income	63,600	60,000
	<u>66,435</u>	<u>75,587</u>

THE LEEDS WELDING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

6. Operating profit

The operating profit is stated after charging:

	2017 £	2016 £
Depreciation of tangible fixed assets	343,349	272,443
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	8,450	7,500
Other operating lease rentals	379,227	276,957
Defined contribution pension cost	73,020	22,880
	<u> </u>	<u> </u>

7. Auditor's remuneration

	2017 £	2016 £
Fees payable to the Company's auditor and its associates for the audit of the Company's annual accounts	8,450	7,950
	<u>8,450</u>	<u>7,950</u>
Fees payable to the Company's auditor and its associates in respect of:		
Other services relating to taxation	2,500	12,100
All other services	6,000	2,000
	<u>8,500</u>	<u>14,100</u>

THE LEEDS WELDING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

8. Employees

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

	2017 £	2016 £
Wages and salaries	3,001,509	2,949,737
Social security costs	294,409	298,720
Cost of defined contribution scheme	73,020	22,880
	<u>3,368,938</u>	<u>3,271,337</u>

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

	2017 No.	2016 No.
Selling and Distribution	5	6
Administration	22	21
Production	86	80
	<u>113</u>	<u>107</u>

9. Directors' remuneration

	2017 £	2016 £
Directors' emoluments	255,839	260,170
Company contributions to defined contribution pension schemes	68,556	18,569
	<u>324,395</u>	<u>278,739</u>

During the year retirement benefits were accruing to 5 directors (2016 - 5) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £69,750 (2016 - £101,833).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £19,059 (2016 - £6,937).

The total accrued pension provision of the highest paid director at 31 December 2017 amounted to £NIL (2016 - £NIL).

The amount of the accrued lump sum in respect of the highest paid director at 31 December 2017 amounted to £NIL (2016 - £NIL).

THE LEEDS WELDING COMPANY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

10. Interest receivable

	2017	2016
	£	£
Other interest receivable	544	190
	<u>544</u>	<u>190</u>

11. Interest payable and similar expenses

	2017	2016
	£	£
Finance leases and hire purchase contracts	29,792	28,765
	<u>29,792</u>	<u>28,765</u>

12. Taxation

	2017	2016
	£	£
Corporation tax		
Current tax on profits for the year	103,849	266,239
Adjustments in respect of previous periods	(70,000)	-
	<u>33,849</u>	<u>266,239</u>
	<u>33,849</u>	<u>266,239</u>
Total current tax	<u>33,849</u>	<u>266,239</u>
Deferred tax		
Origination and reversal of timing differences	29,704	8,122
	<u>29,704</u>	<u>8,122</u>
Total deferred tax	<u>29,704</u>	<u>8,122</u>
	<u>63,553</u>	<u>274,361</u>
Taxation on profit on ordinary activities	<u>63,553</u>	<u>274,361</u>

THE LEEDS WELDING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

12. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2016 - the same as) the standard rate of corporation tax in the UK of 19% (2016 - 20%). The differences are explained below:

	2017 £	2016 £
Profit on ordinary activities before tax	878,744	1,498,253
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2016 - 20%)	166,961	299,651
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	3,309	5,550
Capital allowances for year in excess of depreciation	(26,549)	(9,936)
Short term timing difference leading to an increase / (decrease) in taxation	29,703	(17,406)
Other timing differences leading to an increase in taxation	-	12
Adjustment in research and development tax credit leading to an increase (decrease) in the tax charge	(105,000)	-
Book profit on chargeable assets	(6,650)	(3,510)
Other differences leading to an increase in the tax charge	1,779	-
Total tax charge for the year	63,553	274,361

13. Dividends

	2017 £	2016 £
Dividends paid on equity capital	674,000	1,167,308
	674,000	1,167,308

Dividends of £173,000 have been voted since the year end.

THE LEEDS WELDING COMPANY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

14. Tangible fixed assets

	Leasehold Property £	Plant and machinery £	Motor vehicles £	Office equipment £	Total £
Cost or valuation					
At 1 January 2017	218,128	2,913,402	155,784	95,529	3,382,843
Additions	19,181	1,035,459	125,575	70,822	1,251,037
Disposals	-	(347,106)	-	-	(347,106)
At 31 December 2017	<u>237,309</u>	<u>3,601,755</u>	<u>281,359</u>	<u>166,351</u>	<u>4,286,774</u>
Depreciation					
At 1 January 2017	141,807	1,483,446	104,709	59,468	1,789,430
Charge for the year on owned assets	15,083	273,653	36,907	17,706	343,349
Disposals	-	(347,106)	-	-	(347,106)
At 31 December 2017	<u>156,890</u>	<u>1,409,993</u>	<u>141,616</u>	<u>77,174</u>	<u>1,785,673</u>
Net book value					
At 31 December 2017	<u>80,419</u>	<u>2,191,762</u>	<u>139,743</u>	<u>89,177</u>	<u>2,501,101</u>
At 31 December 2016	<u>76,321</u>	<u>1,429,956</u>	<u>51,075</u>	<u>36,060</u>	<u>1,593,412</u>

The net book value of land and buildings may be further analysed as follows:

	2017 £	2016 £
Long leasehold	80,419	76,321
	<u>80,419</u>	<u>76,321</u>

THE LEEDS WELDING COMPANY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

15. Stocks

	2017	2016
	£	£
Raw materials and consumables	419,774	463,097
	<u>419,774</u>	<u>463,097</u>

16. Debtors

	2017	2016
	£	£
Trade debtors	3,029,385	2,482,985
Prepayments and accrued income	251,172	209,939
	<u>3,280,557</u>	<u>2,692,924</u>

17. Cash and cash equivalents

	2017	2016
	£	£
Cash at bank and in hand	167,753	285,279
	<u>167,753</u>	<u>285,279</u>

18. Creditors: Amounts falling due within one year

	2017	2016
	£	£
Trade creditors	1,555,985	1,326,310
Corporation tax	33,849	291,755
Other taxation and social security	285,511	332,989
Obligations under finance lease and hire purchase contracts	651,605	359,507
Other creditors	1,492,725	1,057,990
Accruals and deferred income	186,161	125,283
	<u>4,205,836</u>	<u>3,493,834</u>

Within other creditors is an invoice financing facility of £1,160,078, the value of which is secured against trade debtors:

THE LEEDS WELDING COMPANY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

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

	2017 £	2016 £
Net obligations under finance leases and hire purchase contracts	965,162	513,581
	<u>965,162</u>	<u>513,581</u>

Amounts payable under hire purchase agreements are secured on the assets to which they relate.

20. Hire purchase and finance leases

Minimum lease payments under hire purchase fall due as follows:

	2017 £	2016 £
Within one year	651,605	359,507
Between 1-5 years	965,162	513,581
	<u>1,616,767</u>	<u>873,088</u>

21. Deferred taxation

	2017 £
At beginning of year	(175,581)
Charged to the profit or loss	(29,704)
At end of year	<u>(205,285)</u>

The provision for deferred taxation is made up as follows:

	2017 £	2016 £
Accelerated capital allowances	(205,356)	(175,652)
Short term timing differences	71	71
	<u>(205,285)</u>	<u>(175,581)</u>

THE LEEDS WELDING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

22. Share capital

	2017 £	2016 £
Allotted, called up and fully paid		
638 (2016 - 651) Ordinary "A" shares of £1 each	638	651
160 (2016 - 176) Ordinary "B" shares of £1 each	160	176
1 Ordinary "C" share of £1	1	1
1 Ordinary "D" share of £1	1	1
176 Ordinary shares of £1 each	176	176
59 Ordinary "E" shares of £1 each	59	59
59 Ordinary "F" shares of £1 each	59	59
29 Ordinary "G" shares of £1 each	29	29
18 Ordinary "H" shares of £1 each	18	18
29 Ordinary "I" shares of £1 each	29	-
	<hr/>	<hr/>
	1,170	1,170
	<hr/>	<hr/>

During the year, 13 Ordinary "A" and 16 Ordinary "B" shares were re-classified into 29 Ordinary "I" shares. The par value of the shares at £1 was unchanged.

23. Reserves

Capital Redemption Reserve

The capital redemption reserve of £41,040 arose on the Company's purchase of its own shares.

Share Option Reserve

On 21 April 2015 options over 130 shares were exercised at a price of £385 per share. The option over the remaining 130 shares lapsed.

24. Pension commitments

The company operates a defined contribution 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 £78,652 (2016 - £24,544). Contributions totalling £773 (2016 - £835) were payable to the fund at the balance sheet date and are included in creditors.

THE LEEDS WELDING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

25. Commitments under operating leases

At 31 December 2017 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2017 £	2016 £
Not later than 1 year	396,550	239,800
Later than 1 year and not later than 5 years	962,000	905,956
Later than 5 years	178,917	539,991
	<u>1,537,467</u>	<u>1,685,747</u>

26. Related party transactions

During the year rent of £364,566 (2016: £210,000) was paid to the T P Archer Pension Fund of which TP Archer is a beneficiary.

Dividends of £674,000 (2016: £1,167,308) were paid to the directors and their connected parties during the year ended 31 December 2017.

Other creditors includes amounts of £332,647 (2016: £1,057,990) due to the directors and their connected parties.

-) Management income of £63,600 (2016: £60,000) was received from Invicta Forks & Attachments Limited during the year and £8,322 (2016: £24,000) was payable to this company at the year end. T P Archer is a director and shareholder of Invicta Forks & Attachments Limited.

27. Controlling party

The company was under control of T P Archer throughout the current and previous year. T P Archer is the majority shareholder.