

Philip Payne Limited

Annual report and financial statements
for the year ended 30 June 2018

Registered number: 1361523



Philip Payne Limited

Annual report and financial statements for the year ended 30 June 2018

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Philip Payne Limited

Directors' report for the year ended 30 June 2018

The directors present their annual report and the audited financial statements of the company for the year ended 30 June 2018.

Principal activities

The company's principal activity during the year was the manufacture, distribution and sale of specialist lighting equipment and illuminated signs.

Review of business and future developments

The level of business and the financial position at 30 June 2018 were satisfactory and the directors expect this to continue into the coming year. The company increased revenue by 11.4% resulting in an operating profit this year of £736,000 (2017: £708,000).

The most significant uncertainties for the business arise from fluctuations in the macro-economic cycle and the competitive market. In particular, the company's revenue and profit could be affected by spending reductions, inflationary pressures and exchange rate risks for purchases of materials and trade debtors. Wherever possible the company seeks to minimise these risks by diversification and risk management strategies. Competition within the market is strong with evolving technologies, products and pricing. The company seeks to minimise these risks by offering innovative solutions and working closely with customers to satisfy their requirements. Prices are reviewed regularly, particularly where there is an element of the products made that relies on components priced in foreign currencies.

The key performance indicators for the business are revenue and operating profit. Revenue increased by 11.4% (2017: 18.5%) in the year and operating profit by 4% (2017: 39%). The directors monitor non-financial areas of the business relating to energy saving and environmental responsibility, market and product development, customer service and support on a regular basis. Objectives are set including financial and non-financial targets and these are monitored by the board.

The company has financial risks and seeks to minimise and manage these by incorporating controls into key functions as part of the normal business operation.

Management reviews prices at least annually to take into account fluctuations in costs in order to minimise the risk of reduction in gross margin, or loss of market share from lack of competitiveness.

Financial risk management

The company, which is limited by shares, has operations exposing it to a variety of financial risks that include credit risk and liquidity risk. The company has in place a risk management programme that seeks to limit adverse effects on its financial performance. The policies set by the directors are implemented by the company's management team.

Credit risk

The company has implemented policies that require appropriate credit checks on potential customers before sales are made. The amount of exposure to any individual counterparty is subject to a limit, which is reassessed at least annually by the management of the company. Management reviews the debt profile regularly to minimise the impact of bad debt exposure and the risk of slow-payment by customers. The company has underwritten a significant part of its customer debt with a credit insurance policy, which is managed in accordance with Group control procedures.

The company's cash resources are managed centrally by the parent company in accordance with their treasury policy apart from a small amount of physical cash and foreign currency, which is held securely and is subject to agreed internal control procedures. The parent company, FW Thorpe Plc, manages the risks associated with cash and deposits.

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Directors' report for the year ended 30 June 2018 (continued)

Financial risk management (continued)

Liquidity risk

The company actively maintains its liquidity risk using operating cash flows, cash equivalents and a mixture of short and long term inter-company debt that is designed to ensure the company has sufficient available funds for its operations. The company also has access to intergroup borrowings if necessary to fund any one off liquidity requirements.

Results and dividends

The profit for the financial year amounted to £597,000 (2017: £574,000), and was transferred directly to reserves. The dividend paid during the year was £600,000 (2017: £450,000). The directors recommend the payment of a dividend of £500,000 (2017: £600,000) for the year.

Directors

The directors who held office during the year and up to the date of signing the financial statements were:

A Thorpe (resigned: 3 July 2017)
D Taylor
C Muncaster

Development activities

The company is committed to development activities in order to maintain its market share in the lighting components market. These activities encompass constant development of both new and existing products to ensure that a leading position in the lighting market is maintained.

Statement of directors' responsibilities in respect of the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company, and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 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.

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.

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Directors' report for the year ended 30 June 2018 (continued)

Directors' indemnities

As permitted by the Articles of Association, the directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The parent Company, FW Thorpe Plc also purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of itself and its directors.

Statement of disclosure of information to the auditors

The directors confirm that:

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

Independent Auditors

The Company has chosen not to hold annual general meetings. Subject to the receipt of any objections as provided under statute or the Company's Articles of Association, the Company is relying on the provisions as provided in section 487 of the Companies Act 2006 for the deemed reappointment of PricewaterhouseCoopers LLP as auditors.

Going concern

The directors confirm that they are satisfied the company has adequate resources to continue in business for the foreseeable future. For these reasons, the directors continue to adopt the going concern basis in preparing these financial statements.

Small company exemption

The directors' report has been prepared in accordance with the special provisions relating to small companies within Part 15 of the Companies Act 2006. The Company has also taken advantage of the exemption available to it not to prepare a strategic report.

On behalf of the Board



C Muncaster
Director

6 December 2018

Philip Payne Limited

Independent auditors' report to the members of Philip Payne Limited

Report on the audit of the financial statements

Opinion

In our opinion, Philip Payne Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual report and financial statements (the "Annual Report"), which comprise: the Balance sheet as at 30 June 2018; the Income statement, the Statement of comprehensive income, the Statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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

- 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.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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

Philip Payne Limited

Independent auditors' report to the members of Philip Payne Limited (continued)

Reporting on other information (continued)

the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Directors' report for the year ended 30 June 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Directors' report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements set out on page 2, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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.

Auditors' 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 auditors' 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 FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Philip Payne Limited

Independent auditors' report to the members of Philip Payne Limited (continued)

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

Entitlement to exemptions

Under the Companies Act 2006 we are required to report to you if, in our opinion, the directors were not entitled to: take advantage of the small companies exemption in preparing the Directors' report; and take advantage of the small companies exemption from preparing a strategic report. We have no exceptions to report arising from this responsibility.



David Teager (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

East Midlands

6 December 2018

Philip Payne Limited

Income statement for the year ended 30 June 2018

		2018	2017
	Note	£'000	£'000
Revenue	2	3,356	3,013
Cost of sales		(1,684)	(1,434)
Gross profit		1,672	1,579
Distribution costs		(235)	(189)
Administrative expenses		(719)	(697)
Other operating income	2	18	15
Operating profit		736	708
Finance income	4	2	1
Profit before income tax		738	709
Income tax expense	5	(141)	(135)
Profit for the financial year		597	574

All income derives from continuing operations.

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Statement of comprehensive income for the year ended 30 June 2018

		2018	2017
	Note	£'000	£'000
Profit for the financial year		597	574
Other comprehensive income			
Items that may be reclassified to profit			
Deferred taxation	12	-	- 3
Total comprehensive income		597	577

All comprehensive income is attributable to the owners of the company, and derives from continuing operations.

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Balance sheet as at 30 June 2018

	Note	2018 £'000	2017 £'000
Non-current assets			
Property, plant and equipment	6	314	230
Intangible assets	7	148	130
Total non-current assets		462	360
Current assets			
Inventories	8	416	508
Trade and other receivables	9	1,339	1,401
Cash and cash equivalents		40	4
Total current assets		1,795	1,913
Creditors - amounts falling due within one year	10	(739)	(761)
Net current assets		1,056	1,152
Total assets less current liabilities		1,518	1,512
Provisions for liabilities	11	(32)	(23)
Net assets		1,486	1,489
Equity			
Share capital	13	-	-
Retained earnings		1,486	1,489
Total equity		1,486	1,489

The financial statements on pages 7 to 23 were approved by the Board of Directors on the below date and were signed on its behalf by:


C Muncaster
Director

Registered number 1361523

6 December 2018

Philip Payne Limited

Statement of changes in equity for the year ended 30 June 2018

		Share capital	Retained earnings	Total equity
		£'000	£'000	£'000
Balance at 1 July 2016		-	1,362	1,362
Profit for the financial year		-	574	574
Deferred tax arising from rate change	13	-	3	3
Total comprehensive income		-	577	577
Transactions with owners				
Dividends paid to shareholders	14	-	(450)	(450)
Balance at 30 June 2017		-	1,489	1,489
Balance at 1 July 2017		-	1,489	1,489
Profit for the financial year		-	597	597
Total comprehensive income		-	597	597
Transactions with owners				
Dividends paid to shareholders	14	-	(600)	(600)
Balance at 30 June 2018		-	1,486	1,486

Philip Payne Limited

Notes to the financial statements for the year ended 30 June 2018

1 Summary of significant accounting policies

The principal accounting policies, which have been applied, are set out below.

General information

Philip Payne Limited (the Company) is a private limited company incorporated and domiciled in the United Kingdom under the Companies Act 2006. The Company's registered address is Merse Road, North Moons Moat, Redditch, Worcestershire, B98 9HH.

Basis of preparation

The company has prepared the financial statements using FRS101 'Reduced-Disclosure Framework'. Therefore the recognition and measurement requirements of EU-adopted IFRS have been applied, with amendments where necessary to comply with Companies Act 2006.

Where required, equivalent disclosures are given in the FW Thorpe Plc group financial statements.

The company have adopted all IFRS adopted in the EU, with the exception of the disclosure exemptions listed below. The company has not early adopted any other standards or interpretations not yet endorsed by the EU.

The financial statements are prepared on the going concern basis, under the historical cost convention and in accordance with the Companies Act 2006 as applicable to companies using FRS101. The accounting policies set out below have been consistently applied.

New or amended standards adopted for the year ending 30 June 2018 are:

Amendment to IAS 12, "Income taxes" on recognition of deferred tax assets for unrealised losses (effective 1 January 2017)

The above new and amended standards had an immaterial impact on the financial statements and as such, the impact of adoption has not been separately disclosed.

The company has not yet adopted certain new standards, amendments and interpretations to existing standards, which have been published but are only effective for our accounting periods beginning on or after 1 January 2018 or later periods. The new pronouncements that may have an effect on the company are listed below:

IFRS 9 "Financial Instruments" (effective 1 January 2018)

IFRS 15 "Revenue from contracts with customers" (effective 1 January 2018)

Amendments to IFRS 2, 'Share based payments' - Classification and measurement (effective 1 January 2018)

Amendments to IFRS 4, Amendments regarding implementation of IFRS 9 (effective 1 January 2018)

Amendment to IFRS 9, 'Financial instruments', on general hedge accounting (effective date 1 Jan 2018)

IFRS 16 "Leases" (effective 1 January 2019)

IFRS 9 'Financial Instruments' is effective for accounting periods beginning on or after 1 January 2018, and will be adopted by the company for the accounting period beginning 1 July 2018. The new standard replaces IAS 39 'Financial Instruments: Recognition & Measurement' and the changes introduced by the new standard can be grouped into the following three categories – Classification & Measurement, Impairment and Hedging. The company are performing an impact assessment of the new standard and notes the following:

Philip Payne Limited

Notes to the financial statements for the year ended 30 June 2018

(continued)

1 Summary of significant accounting policies (continued)

- Classification and measurement: IFRS 9 contains three principal classification categories for financial assets which are amortised cost, fair value through other comprehensive income ("FVOCI") and fair value through profit or loss ("FVTPL"). The standard eliminates the existing IAS 39 categories of held-to-maturity, loans and receivables and available-for-sale financial assets. No material changes to net assets are expected from changes in the measurement basis of financial assets.
- Impairment: IFRS 9 introduces an expected credit loss model which requires expected credit losses and changes to expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. Financial assets measured at amortised cost or FVOCI will be subject to the impairment provisions of IFRS 9. The company has a low level of write-offs and strong credit control policies, and does not anticipate any material changes in the level of provision for financial assets.
- Hedging: IFRS 9 introduces new hedge accounting requirements of IFRS 9 will align hedge accounting relationships with the company's risk management objectives and strategy. The company does not apply hedge accounting, therefore no changes are anticipated arising from the new standard.

IFRS15 is effective for accounting periods beginning on or after 1 January 2018, and will be adopted by the company for the accounting period beginning 1 July 2018. The standard requires entities to apportion revenue earned from contracts to individual performance obligations based on a five-step model. An impact assessment has been carried out and the following areas of potential differences were identified:

- Determination of performance obligations and the timing of revenue recognition for supply and install arrangements;
- Warranty arrangements

Subsequent to the impact assessment the directors do not expect IFRS15 to have a material impact on reported profits.

The directors are currently evaluating the impact of the adoption of the other standards, amendments and interpretations in future periods, although it is anticipated that these will have an immaterial impact on reported profits.

Disclosure exemptions adopted

The company has taken advantage of the following disclosure exemptions permitted under FRS 101 in relation to the following:

The requirement in paragraph 38 of IAS 1 Presentation of Financial Statements to present comparative information in respect of paragraph 73(e) of IAS 16 Property, Plant and Equipment, and paragraph 118(e) of IAS 38 Intangible Assets;

The requirements of paragraphs 134 to 136 of IAS 1 Presentation of Financial Statements to present information on the Company's capital management;

The requirements of IAS 7 Statement of Cash Flows;

The requirements of IFRS 7 Financial instruments: Disclosures;

The requirements of paragraphs 30 and 31 of IAS 8 Accounting policies, changes in accounting estimates and errors to present disclosure of new standards and interpretations that have been issued but not yet effective;

The requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group.

Philip Payne Limited

Notes to the financial statements for the year ended 30 June 2018

(continued)

1 Summary of significant accounting policies (continued)

Revenue recognition

Revenue is recognised when the significant risks and rewards of ownership have been passed to the buyer. Revenue is shown net of value added tax and discounts.

Intangible assets

Development costs

The company undertakes development activities on an ongoing basis. Part of these costs relate to projects where the benefit is received in the short term (less than one year) and part relates to longer term projects where the benefit is expected to be received for several years to come. Costs associated with the shorter term activities are expensed as and when they are incurred. Costs associated with the longer term projects are capitalised as an intangible asset and amortised over the expected life of the benefit, generally at 33.33% per annum, commencing when the asset is available for use within the business. Development assets are recognised as intangible assets when the following criteria are met:

- It is technically feasible to complete the intangible asset so that it will be available for use;
- Management intends to complete the intangible asset and use or sell it;
- There is an ability to use or sell the intangible asset;
- It can be demonstrated how the intangible asset will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and
- The expenditure attributable to the intangible asset during its development can be reliably measured.
- Other development expenditures that do not meet these criteria are recognised as an expense as incurred.
- Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.
- The economic success for development activities is uncertain and carrying amounts are reviewed at each balance sheet date for impairment in accordance with IAS 36.
- Development assets are valued at cost less accumulated amortisation and any impairment losses.

Software costs

Software costs are stated at cost less accumulated amortisation and impairment where applicable. Amortisation is calculated on a straight-line basis to write down the cost less estimated residual value over its useful life. The amortisation rates are between 20% and 50% per annum, reflecting the life of the assets.

Property plant and equipment

Tangible fixed assets are stated at historical purchase cost less accumulated depreciation. Cost includes the original purchase price together with the costs attributable to bringing the asset to its working condition for its intended use.

Depreciation is calculated on a straight line basis to write off the cost of assets over their useful life as shown below:

Plant and machinery	3 to 10 years
Office furniture and equipment	3 to 10 years
Motor vehicles	4 years

Philip Payne Limited

Notes to the financial statements for the year ended 30 June 2018

(continued)

1 Summary of significant accounting policies (continued)

Dividend distribution

Dividend distributions to the company's shareholder are recognised as a liability in the company's financial statements in the year in which the dividends are approved by the company's shareholder.

Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is determined by the first in, first out method (FIFO). The cost of work in progress and finished goods comprises the cost of raw materials, direct labour and other direct and related production overheads, relating to the normal level of activity.

Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses. Provision is made against the cost of slow moving, obsolete inventory lines based on the estimated recoverable amounts.

Debtors

Trade debtors are carried at original invoice amount less an estimate made for doubtful debts based on a review of all outstanding amounts of the year end. Bad debts are written off when identified.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

A net deferred tax asset is recognised as recoverable only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the year in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on an undiscounted basis.

Pension obligations

The company participates in the Group's multi-employer defined benefit/contribution hybrid scheme of which the scheme assets and liabilities can't be accurately separated for each participating company. The pension cost represents contributions during the period to the Group scheme, the level of which is based on the recommendation of the actuary, adjusted for any prepaid or accrued pension costs. Details of the scheme can be found in the financial statements of FW Thorpe Plc.

The company also operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund.

Leases

Leases, where a significant portion of the risks and rewards of ownership are retained by the lessor, are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight line basis over the period of the lease.

Warranty

The company recognises a provision for the estimated cost to repair or replace products still under warranty at the balance sheet date. The provision is calculated based on past history of the level of repairs and replacements.

Philip Payne Limited

Notes to the financial statements for the year ended 30 June 2018

(continued)

1 Summary of significant accounting policies (continued)

Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated at the rate ruling at the balance sheet date. Exchange differences arising on translation and/or settlement are charged to the profit and loss account where incurred.

Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience 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. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Development costs

The company undertakes development activities and the commercial viability of these activities is assessed on a continual basis; as such the company assess each new project to determine whether development costs incurred should be capitalised within intangible assets or recognised as an expense within administrative expenses. The company determines this classification based on the future value of the work based on past experience of similar development projects and the feedback from the marketplace about future expectations for technological development.

2 Revenue

The revenue and profit before income tax are attributable to one activity, the manufacture and distribution of low energy lighting equipment in the UK.

Operating profit

The operating profit is stated after charging/(crediting):

	2018 £'000	2017 £'000
Auditors' remuneration for audit services (inclusive of out of pocket expenses)	10	10
Depreciation of property, plant and equipment	58	54
Amortisation of intangible assets	58	58
Profit on disposal of tangible fixed assets	(10)	(19)
Research and development expenditure credit	(18)	(15)
Operating leases – land and buildings	43	43

Amortisation of intangible assets relates to internally generated development costs and is charged to administrative expenses, within the income statement.

Other operating income consists of the research and expenditure credit of £18,000 (2017: £15,000). This is a credit provided by the UK government for carrying out research and development. In prior years this credit was included as a deduction from the tax expense.

Philip Payne Limited

Notes to the financial statements for the year ended 30 June 2018

(continued)

3 Directors and employees

	2018 £'000	2017 £'000
Staff costs:		
Wages and salaries	922	818
Social security costs	97	90
Other pension costs (note 16)	60	58
	1,079	966

Included in wages and salaries are £97,000 (2017: £59,000) of temporary employee costs.

The monthly average number of directors and employees employed by the company during the year is set out below:

By activity	2018 Number	2017 Number
Production	12	11
Selling and distribution	2	2
Administration	9	9
	23	22

Directors' emoluments

Remuneration in respect of the directors was payable as follows:

	2018 £'000	2017 £'000
Aggregate emoluments	360	223

Included in aggregate emoluments are £98,000 (2017: £nil) of exercised share options, the cost of which was borne by the parent company FW Thorpe Plc. No recharge is made to the company for such costs.

Retirement benefits are accruing to one director (2017: one) under a defined benefit scheme.

The emoluments of the highest paid director were £360,000 (2017: £223,000) with £38,000 (2017: £35,000) being contributed to FW Thorpe retirements benefits scheme.

The other directors of the company are also directors of FW Thorpe Plc and received emoluments from that company and did not receive any emoluments in respect of their services to the company (2017: nil). Disclosure of the total emoluments of the directors of FW Thorpe Plc are made in the financial statements of FW Thorpe Plc. It is not possible to allocate the emoluments attributable to the company of those directors, and as such no recharge has been made to the company for these costs.

Philip Payne Limited

Notes to the financial statements for the year ended 30 June 2018

(continued)

4 Finance income

	2018	2017
	£'000	£'000
Amounts due from parent company	2	1

5 Income tax expense

The tax expense is based on the profit for the financial year:

	2018	2017
	£'000	£'000
Current tax:		
UK corporation tax on profit for the year	137	139
Adjustments in respect of previous years	-	(2)
Total current tax	137	137
Deferred tax:		
Origination and reversal of timing differences (note 12)	4	(2)
Total deferred tax	4	(2)
Tax on profit	141	135

The tax assessed for the year is higher (2017: lower) than the standard rate of corporation tax in the UK of 19.00% (2017: 19.75 %). The differences are explained below.

	2018	2017
	£'000	£'000
Profit before tax	738	709
Profit on ordinary activities multiplied by the standard rate in the UK 19% (2017: 19.75%)	140	140
Accelerated capital allowances and timing differences	1	(3)
Adjustments in respect of previous years	-	(2)
Tax expense for the year	141	135

Philip Payne Limited

Notes to the financial statements for the year ended 30 June 2018

(continued)

5 Income tax expense (continued)

The change to the UK corporation tax rate from 19% to 17% from 1 April 2020 was substantively enacted on 6 September 2016 with the appropriate rate reflected within these financial statements.

6 Property, plant and equipment

	Plant and machinery £'000	Office furniture and equipment £'000	Motor vehicles £'000	Total £'000
Cost				
At 1 July 2017	337	184	107	628
Additions	75	27	41	143
Disposals	-	-	(35)	(35)
At 30 June 2018	412	211	113	736
Accumulated depreciation				
At 1 July 2017	200	150	48	398
Charge for the year	26	7	25	58
Disposals	-	-	(34)	(34)
At 30 June 2018	226	157	39	422
Net book value				
At 30 June 2018	186	54	74	314
At 30 June 2017	137	34	59	230

Philip Payne Limited

Notes to the financial statements for the year ended 30 June 2018

(continued)

7 Intangible assets

	Development costs £'000	Software £'000	Total £'000
Cost			
At 1 July 2017	267	10	277
Additions	70	6	76
Disposals	-	-	-
At 30 June 2018	337	16	353
Accumulated amortisation			
At 1 July 2017	137	10	147
Charge for the year	57	1	58
Disposals	-	-	-
At 30 June 2018	194	11	205
Net book value			
At 30 June 2018	143	5	148
At 30 June 2017	130	-	130

Development costs are longer term projects where the benefit is received for several years to come. Amortisation of £58,000 (2017: £58,000) is included in administrative expenses:

8 Inventories

	2018 £'000	2017 £'000
Raw materials and consumables	291	442
Work in progress	40	40
Finished goods and goods for resale	85	26
	416	508

The cost of inventories recognised as an expense and included in cost of sales amounted to £1,173,000 (2017: £988,000). The amount of write-down in inventory to net realisable value is £59,000 (2017: £34,000).

Philip Payne Limited

Notes to the financial statements for the year ended 30 June 2018

(continued)

9 Trade and other receivables

	2018	2017
	£'000	£'000
Trade receivables	397	425
Amounts owed by Group undertakings	27	31
Amounts owed by parent company	879	910
Prepayments and accrued income	36	35
	1,339	1,401

Amounts owed by Group undertakings are unsecured, interest free and are repayable on demand. Amounts owed by the parent company in relation to cash balances generate interest in-line with the Group's deposit facilities.

Provisions are made for bad debts when an undisputed debt is three months past due date or earlier if an adverse event occurs. A significant proportion of the trade receivables are insured. The policy covers 90% of the debt in the event of a claim for default. The bad debt provision includes the remaining 10% of the default in the event of a potential claim. No bad debt provision is made in respect of trade receivables from Government departments or agencies. At 30 June 2018 the bad debt provision amounted to £nil (2017: £nil).

10 Creditors – amounts falling due within one year

	2018	2017
	£'000	£'000
Trade payables	306	290
Amounts owed to Group undertakings	1	-
Amounts owed to parent company	28	12
Corporation tax	119	121
Other payables	2	2
Accruals and deferred income	184	224
Other taxation and social security	99	112
	739	761

Amounts owed to Group undertakings and parent company are unsecured, interest free and repayable on demand.

Philip Payne Limited

Notes to the financial statements for the year ended 30 June 2018

(continued)

11 Provisions for liabilities

	Deferred Tax	Warranty	Total
	£'000	£'000	£'000
At 1 July 2016	26	-	26
Movement in the year	(5)	2	(3)
At 1 July 2017	21	2	23
Movement in the year	4	5	9
At 30 June 2018	25	7	32

12 Deferred tax liability

	Accelerated tax depreciation	Research & development costs	Total
	£'000	£'000	£'000
At 1 July 2016	-	26	26
Credited to Income statement (note 5)	(1)	(1)	(2)
Credited directly to equity	-	(3)	(3)
At 1 July 2017	(1)	22	21
Charged to Income statement (note 5)	2	2	4
At 30 June 2018	1	24	25

There are no unused tax losses or unused tax credits.

13 Share capital

	2018	2017
	£	£
Allotted and fully paid:		
100 ordinary shares of £1 each (2017: 100 ordinary shares of £1 each)	100	100

There were no shares issued during the year (2017: nil)

Philip Payne Limited

Notes to the financial statements for the year ended 30 June 2018

(continued)

14 Dividends

Dividends paid	2018	2017
	£'000	£'000
Dividends paid for the year £6,000 per share (2017: £4,500 per share)	600	450
Dividends proposed	2018	2017
	£'000	£'000
Proposed dividend for the year of £5,000 per share (2017: £6,000 per share)	500	600

Proposed dividends are not paid or formally approved at the year end and hence have not been recognised within the 2018 balance sheet or reserves. The proposed dividends have also not been approved at the time of signing the financial statements.

15 Commitments

(a) Capital commitments

At 30 June 2018, the company had no capital commitments (2017: £nil).

(b) Operating lease commitments

The company leases its premises from its parent company, FW Thorpe Plc with the lease renewable each year. The future aggregate minimum lease payments under non-cancellable operating leases, are as follows which all relate to land and buildings, expire:

	2018	2017
	£'000	£'000
Within one year	43	43

16 Pension scheme

The company participates in the Group multi-employer defined benefits/defined contribution hybrid scheme in the UK operated by the parent company FW Thorpe Plc with identification of individual company shares of assets and liabilities not being possible. This is a funded scheme with the assets held in a separate trustee administered fund.

There is no contractual arrangement for charging the net defined benefit cost of this scheme between companies that participate in the scheme. As a result, the net defined benefit cost of the scheme is recognised in the financial statements of the sponsoring employer, FW Thorpe Plc.

Details of the FW Thorpe Plc Pension and Life Assurance Scheme and the most recent valuation are disclosed in that company's annual report and financial statements for the year ended 30 June 2018.

The contributions made by the company for members of this scheme during the year totalled £45,000 (2017: £43,000). There are no prepaid or accrued amounts.

From April 2014 the company has provided an auto-enrolment pension scheme, administered independently of the FW Thorpe pension scheme. Contributions to the auto-enrolment scheme amounted to £15,000 (2017: £14,000).

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Notes to the financial statements for the year ended 30 June 2018

(continued)

17 Related party transactions and balances

The company is included in the consolidated financial statements of FW Thorpe Plc and the financial statements of the Group are publicly available.

The company has taken advantage of the exemption allowed by FRS101 'Related Party Disclosures' not to disclose transactions and balances with fellow wholly owned Group undertakings of FW Thorpe Plc in these financial statements.

There are no other related parties.

18 Ultimate parent company and controlling party

The directors consider FW Thorpe Plc, a company registered in England and Wales to be the ultimate parent company and controlling party by virtue of its interest in the share capital of the company.

Copies of the parent's consolidated financial statements being the smallest and largest financial statements to contain the company's numbers may be obtained from The Secretary, FW Thorpe Plc, Merse Road, North Moons Moat, Redditch, Worcestershire, B98 9HH.