

Company Registration No. 1982317

LYTE INDUSTRIES (WALES) LIMITED

Annual Report and Financial Statements

For the 17 months ended 31 March 2017

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LYTE INDUSTRIES (WALES) LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS 2017

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LYTE INDUSTRIES (WALES) LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

C D R Allen (Resigned 30 September 2017)

P Lewis

D M Love

J Greene

H Williams

D McCombie

J Hood (Appointed 19 June 2017)

G James (Appointed 19 June 2017)

J Allen (Appointed 20 November 2017)

J Frusher (Appointed 20 November 2017)

SECRETARY

J Hood

REGISTERED OFFICE

Beaufort Reach

Siemens Close

Swansea Enterprise Park

Swansea

SA7 9BB

BANKERS

HSBC Bank Plc

SOLICITORS

Geldards LLP

Dumfries House

Dumfries Place

Cardiff

CF10 3ZF

AUDITOR

Deloitte LLP

Cardiff

LYTE INDUSTRIES (WALES) LIMITED

STRATEGIC REPORT

The directors, in preparing this Strategic report, have complied with s414C of the Companies Act 2006.

BUSINESS REVIEW AND PRINCIPAL ACTIVITIES

The principal activity of the company continues to be the manufacture, sale and distribution of ladders, stepladders, access towers and other items of access equipment.

During the period the company took the opportunity to review the business, undertake initiatives to enable future growth, higher margins and, following changes to senior management, introduce cost controls. The company showed growth in trading from November 2015 and March 2017 turnover increased year-on-year with growth coming from every area of the business. The results of the company for the period are set out in detail on page 10.

The company successfully launched new and improved product lines during the period which contributed to gaining further market share and growth.

FUTURE DEVELOPMENTS

The benefits of the investment in new machinery and the Robotic Welding Cell will begin to materialise during the next financial year. Lyte Industries' aim for increased market share through new product development and investment in efficient production systems will continue in 2017/2018. Costs relating to the new EN131 standard have been capitalised into intangible assets during the period.

KEY PERFORMANCE INDICATORS

	17 months ended 31 March 2017	Year ended 31 October 2015
Gross profit margin	32.9%	35%
Revenue per employee	£109,360	£77,811

PRINCIPAL RISKS AND UNCERTAINTIES

Competitive pressure in the UK and the Global economic environment pre- and post-Brexit is a continuing risk to the company in terms of the ability of suppliers to provide raw materials and products at competitive prices. The company manages the risk by providing fast response times in fulfilling sales orders and by maintaining strong relationships with customers and suppliers.

The company sources products from abroad and is therefore exposed to foreign exchange movements. This risk is managed by regular and consistent monitoring of the exchange rates of the relevant currencies, in order to identify any necessary action required.

The company is exposed to the movement in the price of aluminium; this risk is managed through the careful selection of suppliers and seeking the most competitive price for this material.

LYTE INDUSTRIES (WALES) LIMITED

STRATEGIC REPORT (continued)

FINANCIAL RISK MANAGEMENT

The directors have reviewed the financial risk management objectives and policies of the company. The directors do not consider there to be any significant risks in relation to price and credit risk as the company is not dependent on any one customer or group of customers and is able to pass on increases in material and labour costs to the customer.

Appropriate terms are negotiated with suppliers and customers. Management reviews these terms and the relationships with suppliers and customers, and manages any exposure on normal trade terms. The company prepares regular forecasts of cash flow and liquidity and any requirement for additional funding is managed on a daily basis by management.

Approved by the Board of Directors
and signed on behalf of the Board



Mr J Greene
Director

Date 15/12/17

Beaufort Reach
Siemens Close
Swansea Enterprise Park
Swansea
SA7 9BB

LYTE INDUSTRIES (WALES) LIMITED

DIRECTORS' REPORT

The directors present their annual report together with the financial statements and auditor's report, for the 17 months ended 31 March 2017.

DISCLOSURE OF INFORMATION IN THE STRATEGIC REPORT

In accordance with section 414C(11) of the Companies Act 2006 (Strategic and Directors' Report) Regulations 2013 we set out in the company's strategic report information required by schedule 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 specifically future developments.

CHANGE OF FINANCIAL YEAR END

The financial year end of the company was changed from 31 October to 31 March in order for the year end to align with quieter periods in the business.

Accordingly, the comparative figures for the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Cash Flow Statement and the related notes 1 to 23 are for 12 months from 1 November 2014 to 31 October 2015.

FUTURE DEVELOPMENTS

Details of future developments can be found in the Strategic Report on page 2 and form part of this report by cross-reference.

DIRECTOR INDEMNITIES

The company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the period and remain in force at the date of this report.

DIVIDENDS

The directors do not recommend the payment of a dividend (31 October 2015 - £nil).

TRANSITION TO FRS 102

This is the first period that the company has presented its financial statements under Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council. The last financial statements under previous UK GAAP were for the year ended 31 October 2015 and therefore the date of transition to FRS 102 was 1 November 2014. The directors consider the major consequences of adopting FRS 102 are the recognition of a holiday pay accrual. Refer to note 21 for further details.

DIRECTORS

The directors of the company, who served during the financial year and subsequently to the date of this report, are as shown on page 1. C D R Allen resigned as a director on 30 September 2017. J Hood and G James were appointed as directors on 19 June 2017. J Allen and J Frusher were appointed as directors on 20 November 2017.

EMPLOYEES

It is the company's policy to give fair consideration to applications for employment by disabled persons whose aptitude and skills can be utilised within its business, and to their training and career development opportunities.

Should any employee become disabled it would be considered appropriate, in all but the most extreme circumstances, to ensure that their employment within the company continues, and that an alternative job or appropriate retraining be provided as necessary, to enable them to maximise their potential.

EMPLOYEE INVOLVEMENT

Lyte recognises the importance of maintaining a high quality, motivated workforce and is committed to employee involvement throughout the company.

Employees are encouraged to discuss with management any matters which they are concerned about or that affect the company. Additionally, the Board takes account of employees' interests when making decisions, and employees are kept informed of the company's performance and objectives through regular briefings and meetings.

LYTE INDUSTRIES (WALES) LIMITED

DIRECTORS' REPORT (continued)

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The company's activities expose it to a number of financial risks including credit risk, cash flow risk and liquidity risk. The use of financial derivatives is governed by the company's policies approved by the Board of directors, which provide written principles on the use of financial derivatives to manage these risks. The company does not use derivative financial instruments for speculative purposes.

Cash flow risk

The company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The company uses foreign exchange forward contracts to hedge these exposures.

Credit risk

The company's principal financial assets are bank balances and cash, trade and other receivables.

The company's credit risk is primarily attributable to its trade receivables. The amounts presented in the statement of financial position are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The company has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

Liquidity risk

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the company uses a mixture of long-term and short-term debt finance.

Further details regarding liquidity risk can be found in the Statement of accounting policies in the financial statements.

RESEARCH AND DEVELOPMENT

Product development and innovation is a continuous process. The company has committed resources to the development of new products to enhance the organic growth of the business. The company capitalised research and development costs of £336,082 during the period (October 2015 - £70,436).

EVENTS AFTER THE STATEMENT OF FINANCIAL POSITION DATE

Details of significant events since the statement of financial position date are contained in note 22 of the financial statements.

GOING CONCERN

During the period the company made an operating loss of £1,364,439 (31 October 2015 - profit £209,999) and an overall loss for the financial period of £1,298,577 (October 2015 - profit £156,883). At 31 March 2017 the company had closing net assets of £2,362,901 (October 2015 - £3,661,478) and closing net current assets of £1,143,213 (October 2015 - £1,349,497).

The company meets its day-to-day working capital requirements through an overdraft and bank loan facility. The overdraft facility was extended in the period and was renewed in January 2017 for the period to 31 October 2017. A short term loan was taken out in January 2017 and was repayable by 30 September 2017.

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

LYTE INDUSTRIES (WALES) LIMITED

DIRECTORS' REPORT (continued)

AUDITOR

In the case of each of the persons who are directors of the company at the date when this report is approved:

- so far as each of the directors is aware, there is no relevant audit information of which the company's auditor is unaware; and
- each of the directors has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Deloitte LLP have indicated their willingness to continue in office as the company's auditor and a resolution for their reappointment will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors
and signed on behalf of the Board

Mr J Greene
Director



Date 15/12/17

Beaufort Reach
Siemens Close
Swansea Enterprise Park
Swansea
SA7 9BB

LYTE INDUSTRIES (WALES) LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the annual 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LYTE INDUSTRIES (WALES) LIMITED

We have audited the financial statements of Lyte Industries (Wales) Limited for the 17 months ended 31 March 2017 which comprise the Statement of Comprehensive Income incorporating the profit and loss account, the Statement of Financial Position, the Statement of Changes in Equity, the Cash Flow Statement and the related notes 1 to 23. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in 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.

Respective responsibilities of directors and auditor

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

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

Opinion on other matter prescribed by the Companies Act 2006

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

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
LYTE INDUSTRIES (WALES) LIMITED (continued)**

Matters on which we are required to report by exception

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

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

Andrew Wright

Andrew Wright FCA (Senior statutory auditor)
for and on behalf of Deloitte LLP
Statutory Auditor
Cardiff, United Kingdom

Date: 15 December 2017

LYTE INDUSTRIES (WALES) LIMITED

STATEMENT OF COMPREHENSIVE INCOME INCORPORATING THE PROFIT AND LOSS ACCOUNT For the 17 months ended 31 March 2017

Profit and loss account

		17 months ended 31 March 2017 £	Year ended 31 October 2015 £
	Note		
TURNOVER	3	20,012,869	12,683,253
Cost of sales		(13,426,035)	(8,246,658)
GROSS PROFIT		6,586,834	4,436,595
Distribution costs		(2,343,443)	(1,273,640)
Administrative expenses		(5,609,124)	(2,954,281)
Other operating income		1,394	1,325
OPERATING (LOSS)/PROFIT	5	(1,364,439)	209,999
Interest receivable	6	595	1,294
Interest payable and similar charges	7	(238,051)	(91,043)
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		(1,601,795)	120,250
Tax on (loss)/profit on ordinary activities	8	303,218	36,633
(LOSS)/PROFIT FOR THE PERIOD		(1,298,577)	156,883

All activities derive from continuing operations.

There was no comprehensive income or expense in either period other than the (loss)/profit for the current period and the previous year.

LYTE INDUSTRIES (WALES) LIMITED

STATEMENT OF FINANCIAL POSITION At 31 March 2017

		31 March 2017	31 October 2015
	Note	£	£
FIXED ASSETS			
Intangible assets - development costs	9	427,922	97,644
Tangible assets	10	5,939,653	5,951,806
		<u>6,367,575</u>	<u>6,049,450</u>
CURRENT ASSETS			
Stocks	11	7,131,334	5,342,898
Debtors - due within one year	12	3,007,274	4,052,387
Cash at bank and in hand		1,234	408,727
		<u>10,139,842</u>	<u>9,804,012</u>
CREDITORS: amounts falling due within one year	13	(8,996,629)	(8,454,515)
NET CURRENT ASSETS		<u>1,143,213</u>	<u>1,349,497</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>7,510,788</u>	<u>7,398,947</u>
CREDITORS: amounts falling due after more than one year	14	(4,822,334)	(3,145,696)
PROVISIONS FOR LIABILITIES	15	(325,553)	(591,773)
NET ASSETS		<u>2,362,901</u>	<u>3,661,478</u>
CAPITAL AND RESERVES			
Called up share capital	19	1,601,030	1,601,030
Profit and loss account		761,871	2,060,448
SHAREHOLDERS' FUNDS		<u>2,362,901</u>	<u>3,661,478</u>

The financial statements of Lyte Industries (Wales) Limited, registered number 1982317, were approved by the Board of Directors and authorised for issue on

Signed on behalf of the Board of Directors:


J Greene
Director

15/12/17

LYTE INDUSTRIES (WALES) LIMITED

STATEMENT OF CHANGES IN EQUITY **For the period ended 31 March 2017**

	Share capital £	Profit and loss account £	Total £
At 1 November 2014 as previously stated	1,601,030	2,455,140	4,056,170
Changes on transition to FRS 102 (see note 21)	-	(551,575)	(551,575)
At 1 November 2014 as restated	1,601,030	1,903,565	3,504,595
Profit for the financial year as restated (see note 21)	-	156,883	156,883
At 31 October 2015	1,601,030	2,060,448	3,661,478
Loss for the financial period	-	(1,298,577)	(1,298,577)
At 31 March 2017	1,601,030	761,871	2,362,901

LYTE INDUSTRIES (WALES) LIMITED

CASH FLOW STATEMENT

For the 17 months ended 31 March 2017

		17 months ended 31 March 2017	Year ended 31 October 2015
	Note	£	£
Net cash flows from operating activities	20	(1,899,339)	(972,364)
Cash flows from investing activities			
Purchase of equipment		(534,760)	(1,065,289)
Interest received		595	1,294
Research and development expenditure		(336,082)	(70,436)
Acquisition of current assets		-	(72,965)
Net cash flows from investing activities		(2,769,586)	(2,179,760)
Cash flows from financing activities			
Directors' loans receipts		1,268,143	956,314
Repayments of obligations under finance lease		(122,886)	(137,006)
New/(repayment) of secured loans		939,697	(65,050)
New short-term borrowings		798,777	1,122,305
Net cash flows from financing activities		2,883,731	1,876,563
Net increase/(decrease) in cash and cash equivalents		114,145	(303,197)
Cash and cash equivalents at beginning of period		(3,212,511)	(2,920,966)
Effect of foreign exchange rate changes		64,515	11,652
Cash and cash equivalents at end of period		(3,033,851)	(3,212,511)
Reconciliation to cash at bank and in hand:			
Cash at bank and in hand		1,234	408,727
Cash equivalents		(3,035,085)	(3,621,238)
Cash and cash equivalents		(3,033,851)	(3,212,511)

LYTE INDUSTRIES (WALES) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the 17 months ended 31 March 2017

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable United Kingdom accounting standards. The particular accounting policies adopted, which have been applied consistently throughout the current financial period and the prior financial year, are shown below.

General information and basis of accounting

The company is incorporated in the United Kingdom under the Companies Act. The address of the registered office is given on page 1. The nature of the company's operations and its principal activities are set out in the Strategic report. The company is a private company limited by shares and is registered in England and Wales.

The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value, and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

The prior year financial statements were restated for material adjustments on adoption of FRS 102 in the current period. For more information see note 21.

The functional currency of the company is considered to be British pounds because that is the currency of the primary economic environment in which the company operates.

Going concern

The company meets its day-to-day working capital requirements through an overdraft, a supplier loan, a VAT loan, as well as a bank loan facility. The company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the company will be able to operate within the level of its current facilities. The company was not compliant with all loan covenants during the period because of the loss of business of a major customer. However the directors are confident that they will be compliant with these financial covenants during the next accounting period and for at least 12 months from the date of signing the financial statements. Banking facilities were renewed at existing levels in December 2017 with no change to existing covenants.

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Intangible assets

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated, using the straight-line method, to allocate the depreciable amount of the assets to their residual values over their estimated useful lives as follows:

New product development – 10 years

Amortisation is charged to Administrative expenses in the Profit and loss account.

Where factors, such as technological achievement or changes in market price, indicate that residual value or useful life have changed, the residual value, useful life or amortisation rate are amended prospectively to reflect the new circumstances.

The assets are reviewed for impairment if the above factors indicate that the carrying amount may be impaired.

LYTE INDUSTRIES (WALES) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the 17 months ended 31 March 2017

1. ACCOUNTING POLICIES (continued)

Intangible assets (continued)

Costs associated with maintaining computer software are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique products controlled by the company are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the product so that it will be available for use;
- management intends to complete the product and use or sell it;
- there is an ability to use or sell the product;
- it can be demonstrated how the product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the product are available; and
- the expenditure attributable to the product 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.

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and provision for impairment. Depreciation is provided on all tangible fixed assets, other than freehold land and assets in the course of construction, at rates calculated to write off the cost of each asset on a straight-line basis over its expected useful life, as follows:

Office and computer equipment	-	25% per annum
Freehold buildings	-	2% per annum
Motor vehicles	-	25% per annum
Tools, plant and machinery	-	10% per annum

Impairment

Assets, other than those measured at fair value, are assessed for indicators of impairment at each statement of financial position date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss as described below.

Non-financial assets

An asset is impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated recoverable value of the asset has been reduced. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

LYTE INDUSTRIES (WALES) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the 17 months ended 31 March 2017

1. ACCOUNTING POLICIES (continued)

Impairment (continued)

Where indicators exist for a decrease in impairment loss, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised. Where a reversal of impairment occurs in respect of a CGU, the reversal is applied first to the assets (other than goodwill) of the CGU on a pro-rata basis and then to any goodwill allocated to that CGU.

Financial assets

For financial assets carried at amortised cost, the amount of an impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

Where indicators exist for a decrease in impairment loss, and the decrease can be related objectively to an event occurring after the impairment was recognised, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired financial asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

Stocks

Stocks are stated at the lower of cost and net realisable value, after making due allowance for obsolete and slow-moving stock. Net realisable value is based on estimated selling price less further costs to completion and the relevant marketing, selling and distribution costs.

Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted at the statement of financial position date.

Deferred taxation is provided in full on timing differences that result in an obligation at the statement of financial position date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements.

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

LYTE INDUSTRIES (WALES) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the 17 months ended 31 March 2017

1. ACCOUNTING POLICIES (continued)

Turnover

Turnover represents amounts derived from the provision of goods and services which fall within the company's ordinary activities after deduction of trade discounts and value added tax.

The company recognises turnover on transfer of risks and rewards of ownership. In most cases this is on despatch of goods to the customer.

Leases

Operating lease rentals are charged to the profit and loss account in equal amounts over the lease term.

Assets held under finance lease and hire purchase contracts and the related lease obligations are recorded in the Statement of financial position at the fair value of the leased assets at the inception of the leases. The amounts by which the lease repayments exceed the recorded lease obligations are treated as finance charges which are amortised over each lease term to give a constant rate of charge on the remaining balance of the obligation. Rentals are charged to profit and loss in equal annual amounts over the lease term.

Pension costs

The company makes payments to a defined contribution pension scheme for the benefit of two directors. The pension cost charge represents contributions payable under the scheme during the period.

Foreign currency

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the statement of financial position date are reported at the rates of exchange prevailing at that date. Exchange differences are included in the profit and loss account.

Bank borrowings

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis in the profit or loss account using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

LYTE INDUSTRIES (WALES) LIMITED

NOTES TO THE FINANCIAL STATEMENTS For the 17 months ended 31 March 2017

1. ACCOUNTING POLICIES (continued)

Financial instruments

Financial assets and financial liabilities are recognised when the company becomes a party to the contractual provisions of the instrument.

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

Financial assets and liabilities

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the statement of financial position when, and only when, there exists a legally enforceable right to set off the recognised amounts and the company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Debt instruments that have no stated interest rate (and do not constitute a financing transaction) and are classified as payable or receivable within one year are initially measured at an undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment.

Commitments to make and receive loans which meet the conditions mentioned above are measured at cost (which may be nil) less impairment.

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the company, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

Research and development

Research expenditure is written off as incurred. Development expenditure is also written off, except where the directors are satisfied as to the technical, commercial and financial viability of individual projects. In such cases, the identifiable expenditure is deferred and amortised over the period during which the company is expected to benefit. This period is between three and five years. Provision is made for any impairment.

LYTE INDUSTRIES (WALES) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the 17 months ended 31 March 2017

2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the company's accounting policies, which are described in note 1, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Management considers that there are no critical accounting judgements or key sources of estimation uncertainty in the company.

3. TURNOVER

The turnover and pre-tax loss, all of which arises in the United Kingdom and Ireland, is attributable to the company's principal activity. An analysis of the company's turnover by class of business is set out below. All turnover is in relation to products sold.

	17 months ended 31 March 2017 £	Year ended 31 October 2015 £
UK	19,325,163	12,340,176
Ireland	687,706	343,077
	<u>20,012,869</u>	<u>12,683,253</u>

LYTE INDUSTRIES (WALES) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the 17 months ended 31 March 2017

4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	17 months ended 31 March 2017 No.	Year ended 31 March 2015 No.
Average number of persons employed (including directors)		
Production	137	123
Administration and selling	46	40
	<u>183</u>	<u>163</u>
Staff costs during the period (including directors)	£	£
Wages and salaries	4,850,111	3,109,761
Social security costs	409,112	247,362
Pension costs	70,631	49,351
	<u>5,329,854</u>	<u>3,406,474</u>
Directors' remuneration	£	£
Emoluments	643,931	367,162
Company contributions to money purchase schemes	51,000	34,800
	<u>694,931</u>	<u>401,962</u>
	No.	No.
Number of directors who are members of the company's defined contribution pension scheme	<u>3</u>	<u>3</u>
	£	£
Remuneration of the highest paid director		
Emoluments	<u>170,833</u>	<u>120,167</u>

5. OPERATING (LOSS)/PROFIT

	17 months ended 31 March 2017 £	Year ended 31 October 2015 £
Operating (loss)/profit is stated after charging		
Depreciation		
Owned assets	495,247	256,543
Leased assets	51,665	41,962
Amortisation of development costs	5,804	13,605
Operating lease rentals	150,646	71,061
Auditor's remuneration – audit services	41,000	19,500
Auditor's remuneration - tax compliance services	8,550	6,500
Auditor's remuneration – other non audit services	9,000	-
Foreign exchange loss	64,515	11,652
Cost of stock	10,929,653	7,243,395
Impairment of stock	353,973	-

Impairment of stock is recognised within cost of sales.

LYTE INDUSTRIES (WALES) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the 17 months ended 31 March 2017

6. INTEREST RECEIVABLE

	17 months ended 31 March 2017	Year ended 31 October 2015
	£	£
Bank interest	<u>595</u>	<u>1,294</u>

7. INTEREST PAYABLE AND SIMILAR CHARGES

	17 months ended 31 March 2017	Year ended 31 October 2015
	£	£
Bank loans and overdraft	82,540	62,071
Finance lease and hire purchase contracts	23,649	15,039
Other interest	131,862	13,933
	<u>238,051</u>	<u>91,043</u>

8. TAX ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES

	17 months ended 31 March 2017	Year ended 31 October 2015
	£	£
<i>Current tax</i>		
UK corporation tax on (loss)/profit for the period/ year	<u>-</u>	<u>-</u>
Total current tax	<u>-</u>	<u>-</u>
<i>Deferred tax</i>		
Origination and reversal of timing differences	(298,715)	30,683
Adjustments in respect of previous periods	(18,283)	(2,608)
Effect of changes in tax rates	13,780	(64,708)
Total deferred tax	<u>(303,218)</u>	<u>(36,633)</u>
Tax on (loss)/profit on ordinary activities	<u>(303,218)</u>	<u>(36,633)</u>

Factors affecting current tax charge

The tax charge for the period differs from the standard rate of corporation tax in the UK of 20% (October 2015 – 20.41%). This is due to the difference between the total current tax shown above and the amount calculated by applying the blended rate of UK corporation tax to the (loss)/profit before tax as shown on the following page.

The applicable tax rate has changed following the substantive enactment of the Finance Act 2016. The phased reduction in the rate of corporation tax to 17% by 1 April 2020 is not anticipated to materially affect the future tax charge.

LYTE INDUSTRIES (WALES) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the 17 months ended 31 March 2017

8. TAX ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES (continued)

	17 months ended 31 March 2017 £	Year ended 31 March 2015 £
(Loss)/profit on ordinary activities before taxation	<u>(1,601,795)</u>	<u>55,250</u>
Tax on (loss)/profit at weighted average standard UK tax rate of 20% (October 2015 – 20.41%)	(320,359)	11,277
Effects of:		
Expenses not deductible for tax purposes	21,644	19,406
Income not taxable		
Fixed asset investments		
Adjustments from previous periods	(18,283)	(2,608)
Tax rate changes	<u>13,780</u>	<u>(64,708)</u>
Current tax credit for the period	<u>(303,218)</u>	<u>(36,633)</u>

9. INTANGIBLE FIXED ASSETS – DEVELOPMENT COSTS

	£
Cost	
At 1 November 2015	124,854
Additions	<u>336,083</u>
At 31 March 2017	<u>460,937</u>
Depreciation	
At 1 November 2015	27,210
Amortisation	<u>5,804</u>
At 31 March 2017	<u>33,014</u>
Net book value	
At 31 March 2017	<u>427,923</u>
At 31 October 2015	<u>97,644</u>

LYTE INDUSTRIES (WALES) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the 17 months ended 31 March 2017

10. TANGIBLE FIXED ASSETS

	Freehold land and buildings £	Office and computer equipment £	Motor vehicles £	Tools, plant and machinery £	Total £
Cost					
At 1 November 2015	3,496,343	753,895	228,975	3,163,195	7,642,408
Additions	9,730	115,083	-	409,632	534,445
At 31 March 2017	<u>3,506,073</u>	<u>868,978</u>	<u>228,975</u>	<u>3,572,827</u>	<u>8,176,853</u>
Depreciation					
At 1 November 2015	283,057	566,605	221,958	618,668	1,690,288
Charge for the period	77,957	117,255	4,003	347,697	546,912
At 31 March 2017	<u>361,014</u>	<u>683,860</u>	<u>225,961</u>	<u>966,365</u>	<u>2,237,200</u>
Net book value					
At 31 March 2017	<u>3,145,059</u>	<u>185,118</u>	<u>3,014</u>	<u>2,606,462</u>	<u>5,939,653</u>
At 31 October 2015	<u>3,213,286</u>	<u>187,290</u>	<u>7,017</u>	<u>2,545,533</u>	<u>5,951,806</u>

The net book value of fixed assets held under finance lease and hire purchase contracts at 31 March 2017 was £562,535 comprising tools, plant and machinery (October 2015 - £614,200). Depreciation charged during the current period was £51,665 (October 2015 - £36,470) on tools, plant and machinery.

11. STOCKS

	31 March 2017 £	31 October 2015 £
Finished goods	2,558,064	2,445,309
Raw materials and consumables	<u>4,573,270</u>	<u>2,897,589</u>
	<u>7,131,334</u>	<u>5,342,898</u>

12. DEBTORS

	31 March 2017 £	31 October 2015 £
Amounts due within one year		
Trade debtors	2,845,733	3,081,035
Other debtors	16,946	752,839
Corporation tax	2,693	-
Prepayments and accrued income	<u>141,902</u>	<u>218,513</u>
	<u>3,007,274</u>	<u>4,052,387</u>

LYTE INDUSTRIES (WALES) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the 17 months ended 31 March 2017

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31 March 2017	31 October 2015
	£	£
Bank loans and overdraft	5,235,501	4,697,751
Obligations under finance lease and hire purchase contracts	139,312	119,128
Carbon Trust loan	45,144	45,534
Trade creditors	2,803,504	2,899,847
Other taxation and social security	217,046	335,518
Other creditors	131,644	29,980
Accruals and deferred income	424,478	326,757
	<u>8,996,629</u>	<u>8,454,515</u>

14. CREDITORS: AMOUNTS FALLING AFTER MORE THAN ONE YEAR

	31 March 2017	31 October 2015
	£	£
Bank mortgage	1,394,118	778,987
Obligations under finance lease and hire purchase contracts	138,494	281,564
Carbon Trust loan	22,572	86,137
Directors' loan account	3,267,150	1,999,008
	<u>4,822,334</u>	<u>3,145,696</u>

The director's loan account is unsecured and interest-free. Repayment will not be sought until the Company is in a position to make such repayments and, in any event, it will not be repayable in full within 12 months of the date of the signing of the 2017 financial statements.

The overdraft and all bank loans are secured by fixed and floating charges over all the assets and undertakings of the company. The loan bears interest at 2.0% (prior period: 2.5%) above base rate and the overdraft bears interest at 3.0% (prior period: 3.5%) above base rate. The finance lease and hire purchase creditors are secured by the assets to which they relate.

LYTE INDUSTRIES (WALES) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the 17 months ended 31 March 2017

14. CREDITORS: AMOUNTS FALLING AFTER MORE THAN ONE YEAR (continued)

The carrying values of the company's financial liabilities are summarised by category below:

	31 March 2017 £	31 October 2015 £
Financial liabilities		
Measured at amortised cost		
• Loans payable (see note 13, 14)	3,662,350	1,987,731
• Obligations under finance leases (see note 13, 14)	277,806	400,692
Measured at undiscounted amount payable		
• Bank overdraft (see note 13)	3,035,085	3,620,678
• Trade and other creditors (see note 13)	2,935,148	2,929,827
	<u>9,910,389</u>	<u>8,938,928</u>

The company's income, expense, gains and losses in respect of financial instruments are summarised below:

	17 months ended 31 March 2017	Year ended 31 October 2015
Interest income and expense		
Total interest expense for financial liabilities at amortised cost	<u>238,052</u>	<u>91,043</u>

LYTE INDUSTRIES (WALES) LIMITED

NOTES TO THE FINANCIAL STATEMENTS **For the 17 months ended 31 March 2017**

15. PROVISIONS FOR LIABILITIES

	Legal provisions £	Other provisions £	Deferred taxation £	Total £
At 1 November 2015	15,000		576,773	591,773
Utilised through profit and loss account	(15,000)	52,000	(284,937)	(247,937)
Adjustment in respect of prior years			(18,283)	(18,283)
At 31 March 2017	-	52,000	273,553	325,553

Deferred tax

Deferred tax is provided as follows:

	31 March 2017 £	31 October 2015 £
Fixed asset timing differences	320,706	271,732
Short-term timing differences – trading	(9,954)	(29,975)
Losses	(473,799)	(127,267)
Rollover relief claims	436,600	462,283
Provision for deferred tax	273,553	576,773

There is no expiry date on timing differences, unused tax losses or tax credits

LYTE INDUSTRIES (WALES) LIMITED

NOTES TO THE FINANCIAL STATEMENTS For the 17 months ended 31 March 2017

16. BORROWINGS

	31 March 2017 £	31 October 2015 £
Analysis of finance lease and hire purchase contracts:		
Minimum lease payments		
Within one year or on demand	139,311	119,128
In the second to fifth years inclusive	138,495	281,564
	<u>277,806</u>	<u>400,692</u>
	£	£
Analysis of bank loans		
Within one year or on demand	2,200,416	1,077,073
Between one and two years	93,004	75,837
Between three and five years	279,012	216,332
After more than five years	1,022,102	486,818
	<u>3,594,534</u>	<u>1,856,060</u>
	£	£
Analysis of overdraft		
Within one year or on demand	3,035,085	3,620,678
	<u>3,035,085</u>	<u>3,620,678</u>

17. COMMITMENTS UNDER OPERATING LEASES

The future minimum lease payments under non-cancellable operating lease payments are as follows:

	Plant and machinery	
	31 March 2017 £	31 October 2015 £
Operating leases		
Within one year	16,445	3,768
Between one and five years	69,701	52,210
	<u>86,146</u>	<u>55,978</u>

18. TRANSACTIONS WITH DIRECTORS AND RELATED PARTIES

At 31 March 2017, there was an amount due to the director and shareholder C D R Allen of £3,247,713 (October 2015 - £2,007,913) in respect of monies loaned to the company. The maximum amount outstanding at any point during the period was £3,254,113. The net amount paid by the company in the period to C D R Allen was £60,200 (October 2015 - £44,650 paid by the company). There is no interest being charged on this loan. The balance on the loan account was converted in full to preference shares in August 2017.

At 31 March 2017 an amount due to the director and shareholder P Lewis of £23,588 was outstanding (October 2015 - £(8,905)). The maximum balance outstanding during the period was £82,416. No interest was charged on this loan during the period.

LYTE INDUSTRIES (WALES) LIMITED

NOTES TO THE FINANCIAL STATEMENTS For the 17 months ended 31 March 2017

19. CALLED UP SHARE CAPITAL

	31 March 2017 £	31 October 2015 £
Called up, allotted and fully paid		
101,030 ordinary shares of £1 each	101,030	101,030
1,500 preference shares of £1,000 each	1,500,000	1,500,000
	<u>1,601,030</u>	<u>1,601,030</u>

The holders of the preference shares are not entitled to vote at general meetings of the company. Dividends may be paid and the shares may be redeemed, at any time, at the option of the company. No premium is repayable on redemption.

20. CASH FLOW STATEMENT

Reconciliation of operating (loss)/profit to cash generated by operations:

	17 months ended 31 March 2017 £	Year ended 31 October 2015 £
Operating (loss)/profit	(1,364,339)	209,999
Adjustment for:		
Depreciation and amortisation	552,717	312,110
Increase/(decrease) in provisions	37,000	(125,923)
Operating cash flow before movement in working capital	(774,622)	396,186
Increase in stocks	(1,788,436)	(1,003,263)
Decrease/(increase) in debtors	1,047,806	(691,711)
(Decrease)/increase in creditors	(143,340)	423,339
Net cash flows from operating activities	(1,658,592)	(875,449)
Income taxes paid	(2,695)	(5,872)
Interest paid	(238,052)	(91,043)
Net cash flows from operating activities	<u>(1,899,339)</u>	<u>(972,364)</u>

Non-cash transactions

During the period the company entered into finance lease arrangements in respect of assets with a total capital value at the inception of the leases of £nil (2015: £279,375).

LYTE INDUSTRIES (WALES) LIMITED

NOTES TO THE FINANCIAL STATEMENTS For the 17 months ended 31 March 2017

21. TRANSITION TO FRS 102

This is the first period that the company has presented its financial statements under Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council. The following disclosures are required in the year of transition. The last financial statements under previous UK GAAP were for the year ended 31 October 2015 and the date of transition to FRS 102 was therefore 1 November 2014. As a consequence of adopting FRS 102, a number of accounting policies have changed to comply with that standard.

The company presents its reconciliation of equity and reconciliation of profit/(loss) below.

Reconciliation of equity	At 1 November 2014 £	At 31 October 2015 £
Equity reported under previous UK GAAP	4,056,170	4,207,053
Holiday pay accrual	(65,000)	(68,560)
Deferred tax	(486,575)	(477,015)
	<hr/>	<hr/>
Equity reported under FRS 102	3,504,595	3,661,478
	<hr/>	<hr/>
Reconciliation of profit and loss for the year ended 31 October 2015		£
Profit reported under previous UK GAAP		96,737
Holiday pay accrual movement		(3,560)
Deferred tax		63,706
		<hr/>
Profit reported under FRS 102		156,883
		<hr/>

22. POST STATEMENT OF FINANCIAL POSITION EVENT

In August 2017 additional preference shares were issued to the value of £6,222,000. Made up from £2,000,000 cash injection and £4,222,000 conversion from C D R Allen director's loan account.

23. ULTIMATE CONTROLLING PARTY

The ultimate controlling party is Mr C D R Allen, a director and majority shareholder of the company.