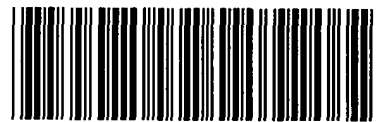


Heywood Williams Components Limited

**Annual report and financial statements for the year ended
31 December 2014**

Registered number: 02523354

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Registered No: 2523354

Company information

Directors

R G A Barr
R Attwood
O D Burgess
D Cooke
R M Gyde
M J Richards
M Wardhaugh
M S Wild
P J Wreford

Secretary

M S Wild

Auditors

Grant Thornton UK LLP
No 1 Whitehall Riverside
Leeds
LS1 4BN

Registered Office

Premier Way
Lowfields Business Park
Elland
West Yorkshire
HX5 9HF

Strategic report

The Directors present their annual report and financial statements for the year ended 31 December 2014.

Principal activities and review of the business

The principal activity of the Company continues to be the design, development, sourcing and distribution of fenestration hardware products. It supplies manufacturers of doors and windows sold into the repair, maintenance and improvements (RMI) market, and also supplies products to home improvement retailers.

Conditions in the residential building product markets that the Company serves remain below long term norms. The outlook remains encouraging and in 2015, growth is anticipated. With market leading brands and customer service, constant product innovation and a highly capable and experienced management team, the Directors are optimistic about the future opportunities for the Company.

Within the Company's markets growth was apparent throughout the year. With this economic backdrop the Company achieved an increase in continuing sales of 8% from the previous year. Continuing operating profit increased by 40% to £2.0m (2013: £1.4m).

The management team continues to work hard to grow the business and has a clear focus to outperform the market and competitors by:

- Pushing ahead with new products and new business initiatives;
- Continuing to improve the business to even higher levels;
- Defending margins;
- Keeping costs under control; and
- Minimising borrowings through the efficient management of working capital.

The Directors believe that 2015 will be a further year of earnings growth as management led initiatives continue to win new business and increase market share.

Results and dividends

The profit before tax for the year amounted to £1.9m (2013: £1.4m). The Directors do not recommend the payment of a dividend (2013: £nil). Accordingly the retained profit of £1.5m will be transferred to reserves.

The key financial results for the year were:

- Sales of £42.0m (2013: £39.0m), with an increase of 8% from the previous year, as the Company benefited from new product introductions and winning new business;
- Operating profit of £2.0m (2013: £1.4m), which represented a further improvement in the operating performance of the Company;
- Net current assets of £19.0m (2013: £17.5m) with continued close control over operating working capital;
- Shareholders' funds increased to £20.6m (2013: £19.0m) representing a strong, on-going balance sheet;
- Net debt of £0.1m (2013: £0.3m).

Strategic report continued

Key performance indicators

The Directors focus on the following key performance indicators for the Company; turnover, operating profit and net current assets.

Future developments

Management do not believe there are any future developments to note other than those noted in the risk management section. The business is continuing to grow.

Risk management

The Company has integrated into its ultimate parent company's (Arran Isle Limited) comprehensive system of risk management, a process that allows the Directors to identify, evaluate and manage potential risks and uncertainties that could have a material impact on the Company's performance.

The primary risks and uncertainties faced by the Company are as follows:

Market performance

Although the Company's key markets are currently exhibiting signs of stability, it is inevitably very difficult to forecast future market trends in the current climate and a significant further decline in market activity could have an adverse impact on the Company's profit and cash generation.

Suppliers

The Company's ability to provide product differentiation and remain competitive depends on a small number of key suppliers. The reduction of finance available to the Company's key suppliers, coupled with reductions in insurance cover provided to certain suppliers by credit insurers, could lead to suppliers failing or attempting to change current credit terms which could have an adverse impact on the Company's results.

Also, as a distributor, the Company must compete with or capitalise on the low cost bases available in the Far East and is at risk of direct supply by manufacturers. If these risks are not managed effectively a loss of business could result which could have an adverse impact on the results of the Company.

Reliance on key customers and credit risk

The Company receives a significant proportion of its turnover from a limited number of key customers. A loss of any such customer could adversely impact the Company's prospects and financial performance.

The reduction in available finance to the Company's customers, along with a slow-down in demand, could result in an increased number of customers failing, which could expose the Company to bad debt charges and loss of future business. In order to mitigate this risk, the Company has rigorous credit control procedures in place. All customers are assigned credit limits which are regularly reviewed, outstanding and overdue debts are monitored continuously and high risk debts are analysed within the management accounts and are reviewed monthly with Arran Isle Group management.

Commodity and currency fluctuations

The Company is exposed to commodity price fluctuations for certain raw materials including zinc, copper and brass. Also a significant amount of purchases are from the Far East in US Dollars and mainland Europe in Euros and therefore costs are subject to currency fluctuations. An inherent risk to the Company is that it may not be able to fully recover the impact of future adverse commodity and currency fluctuations with a resultant negative impact on the Company's results.

Funding and liquidity risk

The Company is party to the Arran Isle Limited ("Group") global asset based funding facility. This £45 million facility is subject to trading cashflow and net worth covenants.

Strategic report continued

Risk management continued

Working capital management

The Company continues to be focused on the efficient management of working capital. Plans and monitoring procedures are in place in the Company, which have been effective to date but a risk remains to the achievement of this, which could have an adverse impact on the cash flows of the Company and in turn the wider Group.

Pension funding

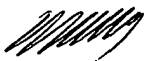
The Company is a participant in the Group's multi-employer pension scheme. Movements in financial markets and the impact of new legislation could increase the risk of inadequate funding of the Group's defined benefit pension schemes. The pension funding status is regularly reviewed by the parent company board and professional advisors are consulted regarding the impact of legislative changes. Deficit repair contributions to the Group's UK defined benefit pension scheme recommenced in 2014 and £0.5m was contributed in 2014. Annual contributions will rise to £1.0m in 2015 and 2016 then increase by £0.5m per annum until £3.5m in 2021. The annual contribution rate will then remain at that level until September 2029. In addition, depending upon the cashflows generated by the Group, additional contributions are likely to be paid under a formula and basis agreed with the trustee of the scheme.

Going concern

The Company's activities, together with factors likely to affect its future development and performance, are set out in the "Principal activities and review of the business" section on page 2 and "Risk management" section on page 3.

The performance of the Company and source of the Company's funding are discussed in note 1 where it is concluded that, after making appropriate enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

By order of the Board



M S Wild
Secretary
12 March 2015

Directors' report

Directors

The Directors who served the Company during the year and since are listed on the Company Information page at the beginning of the annual report and financial statements..

Employee involvement

Employees are kept informed of the performance and objectives of the Company through established management procedures and by the availability to each employee of a copy of the Group's annual report and accounts.

Employee involvement in operational performance reviews forms an integral and essential part of the Company's management policies. Throughout the Company, all employees participate in structured training programmes to encourage continuous improvements in product and service quality.

The Company is committed to ensuring a safe and healthy working environment for all employees consistent with the requirements of health and safety legislation.

It is the Company's policy to treat all employees fairly and specifically to prohibit discrimination on the grounds of race, religion, sexual orientation, disability, nationality or ethnic origin.

The Company gives full consideration to applications for employment from disabled persons where the candidate's particular aptitudes and abilities are consistent with adequately meeting the requirements of the job. Opportunities are available to disabled people for training, career development and promotion. Where existing employees become disabled, it is the Company's policy to provide continuing employment wherever practical in the same or an alternative position and to provide appropriate training to achieve this aim.

Auditors

During the year, Ernst & Young LLP resigned and Grant Thornton UK LLP were appointed as auditors.

Pursuant to s485 – 488, Companies Act 2006, resolutions excluding the Company from the obligation to hold annual general meetings and re-elect auditors annually have been passed by the Company.

Directors' responsibilities statement

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and 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, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

Directors' report

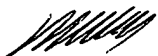
The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies 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.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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

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

By order of the Board



M S Wild
Secretary
12 March 2015

Independent auditor's report to the members of Heywood Williams Components Limited

We have audited the financial statements of Heywood Williams Components Limited for the year ended 31 December 2014 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Note of Historical Cost Profits and Losses, the Balance Sheet and the related notes. 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).

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 auditors

As explained more fully in the Directors' Responsibilities Statement within the Directors' report on page 5, 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 (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

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 December 2014 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

Independent auditor's report to the members of Heywood Williams Components 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.

Grant Thornton UK LLP

Mark Overfield BSc FCA (Senior Statutory Auditor)
for and on behalf of Grant Thornton UK LLP
Statutory auditor, Chartered Accountants
Leeds
12 March 2015

Profit and Loss Account

for the year ended 31 December 2014

	Note	2014 £'000	2013 £'000
Turnover	2	42,037	39,006
Cost of sales		(30,327)	(28,513)
Gross profit		11,710	10,493
Distribution costs		(2,119)	(2,069)
Administrative expenses		(7,598)	(7,004)
Operating profit	3	1,993	1,420
Interest receivable	6	111	50
Interest payable	6	(144)	(104)
Profit on ordinary activities before taxation		1,960	1,366
Tax on profit on ordinary activities	7	(426)	1,053
Profit for the financial year	15	1,534	2,419

All activities relate to continuing operations.

Statement of Total Recognised Gains and Losses

for the year ended 31 December 2014

	Note	2014 £'000	2013 £'000
Profit for the financial year		1,534	2,419
Actuarial gain/(loss) on defined benefit plan	18	28	(38)
Deferred tax on actuarial gain/(loss) on defined benefit pension plan	13	(5)	7
Total recognised gains and losses for the year		1,557	2,388

The notes on pages 12 to 28 form part of these financial statements.

Note of Historical Cost Profits and Losses
for the year ended 31 December 2014

	2014 £'000	2013 £'000
Reported profit on ordinary activities before taxation	1,960	1,366
Difference between an historical cost depreciation charge and the actual depreciation charge for the year	34	34
Historical cost profit on ordinary activities before taxation	<u>1,994</u>	<u>1,400</u>
Historical cost profit for the year retained after taxation and dividends	<u>1,568</u>	<u>2,453</u>

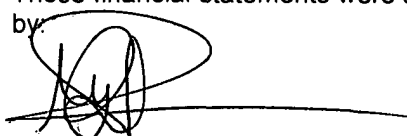
Balance Sheet

at 31 December 2014

	Note	2014 £'000	2013 £'000
Fixed assets			
Tangible assets	8	<u>2,754</u>	<u>2,690</u>
Current assets			
Stock - finished goods		7,134	6,779
Debtors	9	19,152	18,778
Cash at bank		<u>2,345</u>	<u>3,643</u>
		28,631	29,200
Current liabilities			
Creditors: amounts falling due within one year	10	(9,572)	(11,647)
Provisions for liabilities and charges	12	-	(36)
		<u>19,059</u>	<u>17,517</u>
Net current assets			
		19,059	17,517
Creditors: amounts falling due after one year	11	(1,166)	(1,084)
Net assets excluding net pension liability		<u>20,647</u>	<u>19,123</u>
Net pension liability	18	(82)	(115)
Net assets		<u>20,565</u>	<u>19,008</u>
Capital and reserves			
Called up equity share capital	14	1,000	1,000
Revaluation reserve	15	1,182	1,215
Profit and loss account	15	18,384	16,793
Shareholders' funds		<u>20,565</u>	<u>19,008</u>

The notes on pages 12 to 28 form part of these financial statements.

These financial statements were approved by the Directors on 12 March 2015 and are signed on their behalf by.



M J Richards
Director

12 March 2015



M S Wild
Director

Notes to the financial statements

at 31 December 2014

1. Accounting policies

Basis of preparation and going concern

The financial statements have been prepared on a going concern basis, which assumes that the Company has sufficient resources to enable it to continue operating and to meet its liabilities as they fall due. The Directors believe the going concern assumption to be appropriate for the reasons as set out below.

The Company has made a profit after tax in the year and has net assets. The Company is party to the Group's £45.0m global asset based funding facility with Wells Fargo Capital Finance (UK) Limited ("Lender"), which runs until 30 September 2016. The facility is based on the level of qualifying debtors, stock and properties which fluctuate over the period of the facility. As is normal within these agreements, the level of qualifying assets is subject to periodic appraisal by the Lender.

Included within the facility are operating conditions which the Group will need to comply with, as well as financial covenants on net worth and trading cashflows that will be tested on a quarterly basis.

In assessing the Group's ability to operate within, and in compliance with, the terms of the financing facility in the foreseeable future, the Directors have taken consideration of the Group's financial projections and the current trading performance. They have also reviewed the sensitivities including their assessment of any likely changes to the assumptions that the Lender might make to the facility levels for the period through to September 2016.

Having considered the financial projections, the financial covenants and operating conditions and the sensitivity to changes in facility levels, the Directors have concluded that there is a reasonable expectation that the Group has sufficient liquidity and capital resources to meet its obligations in the normal course of business for the foreseeable future. Within this assessment, the going concern of the Company has also been considered. Following this exercise, the Directors continue to adopt the going concern basis in preparing the Company's financial statements.

The financial statements have been prepared under the historical cost convention modified to include the revaluation of land and buildings.

They are also prepared in accordance with applicable United Kingdom accounting standards. The accounting policies of the Company have been consistently applied over both the current and preceding period.

Cash flow statement

The Directors have taken advantage of the exemption in Financial Reporting Standard No 1 (revised) from the requirement to include a cash flow statement in the financial statements on the grounds that the Company is wholly owned and its parent publishes consolidated financial statements.

Foreign currencies

The presentation and functional currency of the Company is Sterling.

Assets and liabilities expressed in overseas currencies are translated into Sterling at the exchange rates ruling at the Balance Sheet date and trading results at average rates during the year.

Exchange gains or losses of a trading nature are dealt with in the Profit and Loss Account.

Notes to the financial statements continued

at 31 December 2014

1. Accounting policies continued

Turnover

Turnover is measured at the fair value of the consideration received or receivable. Turnover is principally related to the distribution of fenestration hardware. It is recognised to the extent that it is probable that the economic benefits will flow to the Company, all significant risks and rewards have been transferred to the buyer and the turnover and costs incurred or to be incurred in respect of the transaction can be reliably measured. This is either upon despatch or delivery of the goods depending on contract terms.

Tangible fixed assets

Plant and equipment is stated at cost less accumulated depreciation and any impairment in value.

Land and buildings are stated at valuation less accumulated depreciation on buildings and impairment losses recognised after the date of the revaluation. Valuations are performed frequently to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

An annual transfer from the asset revaluation reserve to retained earnings is made for the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the original cost. Additionally, accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, less estimated residual value based on prices prevailing at the date of acquisition of each asset evenly over its expected useful life, as follows:

Freehold buildings	40 years
Plant and equipment	10 years
Software	Between 3 and 5 years

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. The recoverable amount of plant and equipment is the greater of net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. If any such indication of impairment exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the Profit and Loss Account in the year the item is derecognised.

Stocks

Stocks are stated at the lower of cost, which is incurred in bringing each product to its present location and condition, and net realisable value. Provision is made for obsolete and slow moving items.

Notes to the financial statements continued

at 31 December 2014

1. Accounting policies continued

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 have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax with the following exceptions:

- (i) Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the Balance Sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the Balance Sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold.
- (ii) Provision is made for deferred tax that would arise on remittance of the retained earnings of overseas subsidiaries, associates and joint ventures only to the extent that, at the Balance Sheet date, dividends have been accrued as receivable.
- (iii) Deferred tax assets are recognised only to the extent that the Directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the Balance Sheet date.

Operating lease agreements

Rentals payable under operating leases are charged in the Profit and Loss Account on a straight line basis over the lease term.

Pension costs

Heywood Williams Components Limited participates in defined benefit and defined contribution pension schemes whose assets are held in separate trustee administered funds.

In accounting for defined benefit pension schemes in accordance with FRS 17, the pension scheme assets are measured using fair values whilst the pension scheme liabilities are measured using a projected unit credit method and discounted using an appropriate discount rate. The pension scheme deficit is recognised in full, net of any associated deferred tax, and presented on the face of the Balance Sheet. The movement in the deficit is split between operating and finance charges in the Profit and Loss Account and also in the Statement of Total Recognised Gains and Losses. The full service cost of the pension scheme is charged to operating profit. The interest cost on scheme liabilities and the expected return on scheme assets is charged or credited to other finance costs/income. The actuarial gain or loss is charged directly to equity through the Statement of Total Recognised Gains and Losses and is made up of the difference between the expected return on assets and those actually achieved and also any changes in the assumptions and experiences used in the valuations.

Notes to the financial statements continued

at 31 December 2014

1. Accounting policies continued

Pension costs continued

The Company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company. The amount charged to the Profit and Loss Account in respect of pension costs is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the Balance Sheet.

Derivative financial instruments

Hedging instruments

In line with the exemption available to unlisted companies under FRS26, the Company has decided not to adopt fair value accounting for derivative financial instruments. Accordingly the gain or loss arising from the derivative financial instruments is recorded when the transaction is settled through the Profit and Loss Account.

2. Turnover

Turnover, which is stated net of value added tax and customer returns, represents amounts invoiced in the year, in line with the accounting policy in note 1.

Turnover is attributable to one continuing activity, the supply of components for windows, doors and other products used in the home improvements and new build markets.

An analysis of turnover by geographical market is given below:

	2014 £'000	2013 £'000
United Kingdom	41,789	38,717
Europe	168	172
Other	80	117
	<u>42,037</u>	<u>39,006</u>

3. Operating profit

Operating profit is stated after charging:

	2014 £'000	2013 £'000
Fees payable to the Company's auditors for the audit of the annual accounts	33	37
Depreciation of owned fixed assets (note 8)	314	251
Operating lease rentals – plant and machinery	279	256
Operating lease rentals – other leases	<u>263</u>	<u>237</u>

Notes to the financial statements continued

at 31 December 2014

4. Staff costs

	2014 £'000	2013 £'000
Wages and salaries	4,851	4,398
Social security costs	463	421
Pension costs (note 18)	157	141
	<u>5,471</u>	<u>4,960</u>

As at the 31 December 2014, outstanding pension contributions of £23,000 were included in accruals (2013: £18,000). The monthly average number of employees during the year amounted to 146 (2013: 141).

5. Directors' emoluments

In the current and prior year, four Directors were remunerated by the Company. One Director was remunerated by a fellow Group company but does not hold a Directorship of any other Group company. As a result their emoluments have been included in the disclosures below.

	2014 £'000	2013 £'000
Emoluments	763	690
Company contributions paid to defined contribution pension schemes	72	69
	<u>835</u>	<u>759</u>

	2014 No.	2013 No.
Number of Directors who were members of the defined contribution scheme	<u>5</u>	<u>4</u>

The amounts in respect of the highest paid Director are as follows:

	2014 £'000	2013 £'000
Emoluments	212	181
Company contributions paid to defined contribution pension schemes	26	24
	<u>238</u>	<u>205</u>

Notes to the financial statements continued

at 31 December 2014

6. Interest receivable and payable

	2014 £'000	2013 £'000
<i>Interest receivable</i>		
Net credit on pension scheme assets (note 18)	5	-
Interest receivable from Group companies	106	50
	<u>111</u>	<u>50</u>
<i>Interest payable</i>		
Bank interest	(144)	(102)
Net charge on pension scheme assets (note 18)	-	(2)
	<u>(144)</u>	<u>(104)</u>

7. Tax

(a) Tax on profit on ordinary activities

The tax charge/(credit) is made up as follows:

	2014 £'000	2013 £'000
<i>Current taxation:</i>		
Corporation tax at 21.5% (2013: 23.25%)	-	11
Adjustments in respect of prior years	-	-
Total current tax (note 7c)	<u>-</u>	<u>11</u>
<i>Deferred taxation (note 13)</i>		
Current year movement	413	(1,064)
Adjustments in respect of prior years	13	-
Tax on profit on ordinary activities	<u>426</u>	<u>(1,053)</u>

(b) Tax (expense)/income reported in Statement of Total Recognised Gains and Losses

	2014 £'000	2013 £'000
Deferred tax on actuarial gains and losses on defined benefit pension plan	<u>(5)</u>	<u>7</u>

Notes to the financial statements continued

at 31 December 2014

7. Tax continued

(c) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year differs from the standard rate of corporation tax in the UK of 21.5% (2013: 23.25%). The differences are reconciled below:

	2014 £'000	2013 £'000
Profit on ordinary activities before taxation	<u>1,960</u>	<u>1,366</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 21.5% (2013: 23.25%)	421	318
Disallowed expenses and non taxable income	22	20
Short term timing differences	4	-
Difference between depreciation and capital allowances	(82)	(95)
Movement in respect of losses utilised	(365)	(232)
Adjustments to the current tax charge in respect of prior periods	-	-
Total current tax (note 7a)	<u>-</u>	<u>11</u>

(d) Factors that may affect future tax charges

The standard rate of corporation tax in the United Kingdom for the year is 21.5% (2013: 23.25%). The Finance Act 2013 received Royal Assent on 17 July 2013 and enacted a reduction in the main rate of corporation tax to 21% with effect from 1 April 2014 and a further reduction of 1% applied to bring the main rate of corporation tax to 20% from 1 April 2015.

There are losses carried forward of £2.3m (2013: £4.1m) that are available to be offset against future suitable taxable profits. A deferred tax asset of £0.5m has been recognised (2013: £0.8m) in relation to these losses as it is considered there is a high probability of utilisation in the near future. There are also £0.9m (2013: £1.2m) of other short term timing differences carried forward with an associated deferred tax asset of £0.2m (2013: £0.3m).

Notes to the financial statements continued

at 31 December 2014

8. Tangible fixed assets

	Freehold Land & Buildings £'000	Plant & Equipment £'000	Software £'000	Total £'000
Cost or valuation				
At 1 January 2014	2,638	2,011	32	4,681
Additions	-	384	-	384
Disposals	(2)	-	(4)	(6)
Reclassification	-	4	(4)	-
At 31 December 2014	<u>2,636</u>	<u>2,399</u>	<u>24</u>	<u>5,059</u>
Depreciation and impairment:				
At 1 January 2014	352	1,634	5	1,991
Charge for the year	<u>71</u>	<u>236</u>	<u>7</u>	<u>314</u>
At 31 December 2014	<u>423</u>	<u>1,870</u>	<u>12</u>	<u>2,305</u>
Net book value				
At 31 December 2014	<u>2,213</u>	<u>529</u>	<u>12</u>	<u>2,754</u>
At 31 December 2013	<u>2,286</u>	<u>377</u>	<u>27</u>	<u>2,690</u>

Revaluation

The freehold properties were valued by Cushman & Wakefield, an accredited, independent firm of Chartered Surveyors, as at 31 January 2013, on the basis of market value in accordance with the current UK and Global edition of the Royal Institute of Chartered Surveyors (RICS) Valuation - Professional Standards. The Directors believe it is reasonable to use the valuation performed on 31 January 2013 as the carrying value of the properties on 31 December 2014 as there have been no subsequent impairment indicators.

At 31 December 2014, had the land and buildings been carried at historical cost less depreciation their carrying amount would have been approximately £984,000 (2013: £1,018,000).

Notes to the financial statements continued

at 31 December 2014

9. Debtors

	2014 £'000	2013 £'000
<i>Amounts due within one year:</i>		
Trade debtors	5,085	5,211
Other debtors	38	62
Amounts owed by Group undertakings	13,048	12,132
Prepayments and accrued income	336	306
Deferred tax asset (note 13)	645	1,067
	19,152	18,788

Amounts owed by Group undertakings are unsecured, have no fixed date of repayment and are repayable on demand.

10. Creditors: amounts falling due within one year

	2014 £'000	2013 £'000
Borrowings (note 11)	392	2,828
Trade creditors	7,511	7,410
Other creditors	87	60
Amounts owed to Group undertakings	6	45
Other tax and social security	680	684
Accruals and deferred income	896	620
	9,572	11,647

Amounts owed to Group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

11. Creditors: amounts falling due after one year

	2014 £'000	2013 £'000
Amounts falling due after one year	1,166	1,084

The Group's £45.0m global asset based funding facility with Wells Fargo Capital Finance (UK) Limited ("Lender"), which runs until 30 September 2016. The facility is based on the level of qualifying debtors, stock and properties which will fluctuate over the period of the facility. As is normal within these agreements, the level of qualifying assets is subject to periodic appraisal by the Lender.

Notes to the financial statements continued

at 31 December 2014

11. Creditors: amounts falling due after one year continued

Due to the nature of the facility, the loans against the debtor and stock collateral represent a line of revolving credit and as such have been classified as current liabilities. The loan against property collateral is fixed term to 30 September 2016 and amortised over the period. The current liability portion of this loan represents the amount to be amortised in 2015. The remainder of the property loan is classified as non-current liabilities.

12. Provisions for liabilities and charges

	2014 £'000	2013 £'000
At 1 January	36	36
Release to profit during the year	(36)	-
At 31 January	-	36
	2014 £'000	2013 £'000
Analysed as:		
Short term	-	36

The provision related wholly to a disputed commercial claim.

13. Deferred taxation

	2014 £'000	2013 £'000
Deferred tax asset brought forward	(1,096)	(25)
Profit and loss account charge/(credit) (note 7)	426	(1,064)
Statement of Total Recognised Gains and Losses (note 7)	5	(7)
	(665)	(1,096)

Notes to the financial statements continued

at 31 December 2014

13. Deferred taxation continued

The deferred tax asset has been calculated at a rate of 20% (2013: 20%) and is analysed as follows:

	2014 £'000	2013 £'000
Defined pensions deficit (note 18)	(20)	(29)
Losses available for offsetting (note 9)	(469)	(820)
Accelerated capital allowances (note 9)	(176)	(247)
	(665)	(1,096)

There is full recognition of deferred tax assets relating to tax losses and other short term timing differences as it is considered likely that they will be recoverable in the near future.

14. Allotted, called up and fully paid share capital

	2014 £'000	2013 £'000
Ordinary shares of £1 each	1,000	1,000

15. Reconciliation of movements in shareholders' funds and reserves

	Share Capital £'000	Revaluation Reserve £'000	Merger Reserve £'000	Profit and Loss Account £'000	Total Shareholders' Funds £'000
At 1 January 2013	35,003	1,249	23	(19,655)	16,620
Profit for the financial year	-	-	-	2,419	2,419
Actuarial loss on pension deficit net of deferred tax	-	-	-	(31)	(31)
Transfer to profit and loss reserve	-	(34)	-	34	-
Capital reconstruction	(34,003)	-	(23)	34,026	-
At 31 December 2013 and 1 January 2014	1,000	1,215	-	16,793	19,008
Profit for the financial year	-	-	-	1,534	1,534
Actuarial gain on pension deficit net of deferred tax	-	-	-	23	23
Transfer to profit and loss reserve	-	(34)	-	34	-
At 31 December 2014	1,000	1,181	-	18,384	20,565

Notes to the financial statements continued

at 31 December 2014

15. Reconciliation of movements in shareholders' funds and reserves continued

On 20 August 2013, the Company implemented a capital reconstruction under which:

- A bonus issue of 100 ordinary shares at nominal value (£100) resulted in the £23,000 merger reserve balance being transferred to the share premium account.
- The resultant share premium reserve of £22,900 was cancelled and the Company's share capital was reduced from £35.0m to £1.0m.
- The profit and loss reserve increased by £34.0m.
- There was a nil net effect to the Company's shareholder funds.

16. Operating lease commitments

At 31 December 2014 the Company had annual commitments under non-cancellable operating leases as set out below.

	2014		2013	
	Land and Buildings £'000	Other £'000	Land and Buildings £'000	Other £'000
Operating leases which expire:				
Within one year	-	34	30	53
In two to five years	28	181	235	185
More than five years	235	4	-	-
	263	219	265	238

17. Other commitments and guarantees

The Company is party to the Group's £45.0 million global asset based funding facility with Wells Fargo Capital Finance (UK) Limited which runs until 30 September 2016. This facility is fully secured on the bulk of the Group's assets and has normal trading cash flow and net worth covenants.

The Company is party to a net overdraft facility of £100 provided to the Group in the UK, which incorporates the right of set off. There is a composite company limited multilateral guarantee dated 21 November 2013 given by the group companies.

18. Pension arrangements

Defined benefit scheme

The Company participates in the HWG 2006 Limited Pension and Life Assurance Plan, a multi-employer, defined benefit pension scheme whose assets are held in a separate trustee administered fund. The benefits of this scheme are based upon years of pensionable service and final pensionable remuneration of the employees as defined under the scheme provisions. The scheme is funded by contributions from the employees and from the employing companies over the period of the employees' service. Contributions are at rates determined by independent qualified actuaries based upon triennial actuarial valuations.

Notes to the financial statements continued

at 31 December 2014

18. Pension arrangements continued

Defined benefit scheme continued

The valuations used are based on the most recent actuarial valuation at 31 December 2011 and were updated by the actuary to take account of the requirements of FRS17 in order to assess the liabilities of the scheme as at 31 December 2014. The actuaries reported that:

- (i) the actuarial method used in the valuation of the scheme was the projected unit credit method;
- (ii) the principal long term actuarial assumptions were that the discount rate was 3.3% per annum and the annual increase in inflation was 3.1% and 2.35% per annum for RPI and CPI respectively; and
- (iii) the market value of the assets of the scheme was £121.0 million representing 73% of the value of benefits (at least equal to those specified in the rules of the scheme) accrued to members, after allowing for future increases in pensionable remuneration.

The Arran Isle Group contributed £1.0 million in 2014 in respect of funding the deficit (2013: £0.4 million) including £0.5 million of deficit repair contributions which became payable in 2014. These deficit repair contributions increase to £1.0 million in 2015 and 2016, then by £0.5 million each year until reaching £3.5 million in 2021 and remain at that level until September 2029.

The pension scheme trustee has second ranking fixed and floating charges over the Group's operating assets.

For the purposes of allocating the total assets and liabilities of the scheme between the various group companies, the Directors estimate that 0.9% is attributable to the Company with the remaining 99.1% being attributable to other subsidiaries within the Arran Isle Group.

The UK defined benefits plan was closed to future accrual in 2010.

The pension charge for the year relating to the defined benefit scheme was £5,000 (2013: £2,000). In accordance with FRS17 the charge has been calculated as the cost of benefits accruing in the year, plus one year's interest on the value of benefits already accrued, less the expected return on assets, plus the credit arising on curtailment of the scheme.

The age profile of the active membership is expected to rise and, therefore, under the projected unit method of valuation, the current service cost, as a percentage of payroll, is expected to increase as the members approach retirement.

Notes to the financial statements continued

at 31 December 2014

18. Pension arrangements continued

Defined benefit scheme continued

The financial assumptions that have been used to calculate the schemes' liabilities under FRS17 are as follows:

	2014 %p.a.	2013 %p.a.	2012 %p.a.
Inflation			
CPI	1.75	2.1	1.6
RPI	3.05	3.4	2.9
Rate of increase in salaries	N/A	N/A	N/A
Rate of increase in pensions	2.95	3.25	2.8
Discount rate	3.55	4.4	4.4
Assumed life expectancy for a 65 year old			
Male – pensioner	22 years	22 years	22 years
Male – non-pensioner	23 years	23 years	24 years
Female – pensioner	24 years	24 years	24 years
Female – non-pensioner	25 years	25 years	25 years

The fair value of the assets, present value of the liabilities and expected rates of return at each Balance Sheet date were as follows:

	2014		2013		2012	
	£'000	% p.a.	£'000	% p.a.	£'000	% p.a.
Equities	472	7.75	364	7.1	318	7.05
Bonds	670	3.6-4.65	744	3.0-4.15	817	2.95-4.8
Property	125	5.4	-	-	-	-
Cash	46	0.5	5	0.5	6	0.5
Total fair value of assets	1,313	5.4	1,113	4.7	1,141	5.0
Present value of liabilities	(1,415)		(1,257)		(1,248)	
Related deferred tax asset	20		29		25	
Net pension liability	(82)		(115)		(82)	

The fair value of the scheme assets does not include any equities in respect of the Group's own financial instruments (2013: £nil). The pension plan has not invested in any of the Group's own properties.

Notes to the financial statements continued

at 31 December 2014

18. Pension arrangements continued

Defined benefit scheme continued

Components of defined benefit cost for the year to 31 December 2014 were:

	2014 £'000	2013 £'000
Amount charged to interest:		
Interest cost	54	54
Expected return on assets	(59)	(52)
Total profit and loss (credit)/charge before taxation	(5)	2

Analysis of amounts recognised in Statement of Total Recognised Gains and Losses (STRGL):

Actual return less expected return on pension scheme assets	(190)	30
Effect of change of assumptions and experience	162	8
Total (gain)/loss recognised in STRGL before taxation	(28)	38

Sensitivity analysis

The following is an approximate sensitivity analysis of the impact of a change in the key assumptions as noted above. In isolation the changes would adjust the pension deficit and cost as shown.

	Deficit Decrease/(Increase) £'000	Pension Cost (Increase)/Decrease £'000
Discount rate increase of 0.1%	27.9	(0.9)
Price inflation increase of 0.1%	(20.7)	0.9
Pension increase of 0.1%	(9.0)	-
Life expectancy increase of one year	(42.3)	1.8

Changes in the present value of the defined benefit obligations are as follows:

	2014 £'000	2013 £'000
At 1 January	(1,257)	(1,248)
Interest cost	(54)	(54)
Benefits paid	58	53
Actuarial gains and losses	(162)	(8)
At 31 December	(1,415)	(1,257)

Notes to the financial statements continued

at 31 December 2014

18. Pension arrangements continued

Changes in the present value of the plan assets are as follows:

	2014 £'000	2013 £'000
At 1 January	1,113	1,141
Expected return on plan assets	59	52
Employer contributions	9	3
Benefits paid	(58)	(53)
Actuarial gains and losses	190	(30)
At 31 December	<u>1,313</u>	<u>1,113</u>

History of experience gains and losses:

	2014 £'000	2013 £'000	2012 £'000	2011 £'000	2010 £'000
Fair value of scheme assets	1,313	1,113	1,141	1,089	1,033
Present value of defined benefit obligations	(1,415)	(1,257)	(1,248)	(1,155)	(1,143)
Deficit in scheme	(102)	(144)	(107)	(66)	(110)
Experience adjustments arising on plan liabilities	(3)	(8)	-	78	(7)
Experience adjustments arising on plan assets	<u>190</u>	<u>(30)</u>	<u>(46)</u>	<u>(44)</u>	<u>(47)</u>

Contributions to the defined benefit plan in 2015 are expected to be £13,000.

Defined contribution scheme

There is also a defined contribution pension scheme operated by the Company. During the year £157,000 was charged to the Profit and Loss Account in respect of such schemes (2013: £141,000). Contributions of £23,000 (2013: £18,000) were outstanding at 31 December 2014.

19. Derivative financial instruments

In accordance with the exemption available to unlisted companies under FRS 26, the Company has decided not to adopt fair value accounting for derivative financial instruments. The fair value of forward currency contracts held as at 31 December 2014 amounts to an asset of £436,000 (2013: £155,000 liability).

20. Related party transactions

The Company has taken advantage of the exemption in FRS 8 not to disclose transactions with fellow subsidiary undertakings where 100 per cent of the voting rights are controlled within the group.

In 2014, the Company made sales of £6,000 to UAB Mila Baltics, a company in which the Company's intermediate parent has an 83.25% holding (2013: £3,000). No amounts were outstanding at the year end (2013: £nil).

There were no other related party transactions in 2014 (2013: £nil).

Notes to the financial statements continued

at 31 December 2014

21. Ultimate parent company and controlling party

The parent undertaking of the only group of undertakings for which group accounts are drawn up and of which the Company is a member is Arran Isle Limited, which is registered in England and Wales. Copies of Arran Isle Limited accounts can be obtained from the Company's registered office.

The Directors consider there to be no controlling party.