

HARROGATE

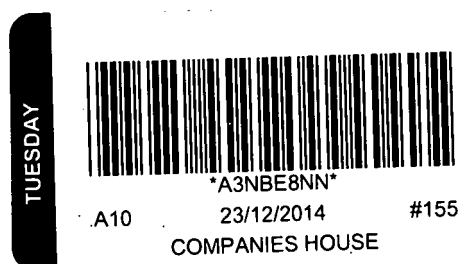
SPRING WATER

Harrogate Spring Water Limited

Registered number: 04056786

Directors' report and financial statements

For the year ended 31 March 2014



HARROGATE SPRING WATER LIMITED

COMPANY INFORMATION

Directors	A J Cain J A Cain S D Burnett P M Dickinson
Company secretary	A L Parker
Registered number	04056786
Registered office	Harlow Moor Road Harrogate North Yorkshire HG2 0QB
Independent auditors	Mazars LLP Chartered Accountants & Statutory Auditor Mazars House Gelderd Road Gildersome Leeds LS27 7JN
Bankers	Santander UK plc 44 Merrion Street Leeds West Yorkshire LS2 8JQ Aldermore Centurion House Centurion Way Cleckheaton West Yorkshire BD19 3QE

HARROGATE SPRING WATER LIMITED

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HARROGATE SPRING WATER LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2014

Introduction

The Directors present their strategic report for Harrogate Spring Water Limited for the year ended 31 March 2014.

Business review and future developments

Harrogate's illustrious heritage was founded on its unique springs and can be traced back to the 16th Century. The Directors and the business are committed to continuing to bring the health benefits of our waters to consumers in both the UK and overseas.

As detailed below, over the last 12 months, the Company has invested heavily in securing additional water sources, in extending production capacity, as well as recruiting and investing in the very best people to support our exciting plans to grow our business.

Performance

2013/14 was a year of substantial progress for the business. Notable progress and achievements were:

- Identifying, testing and securing a second source of water that increases our water availability from 70 million litres p.a. to 320 million litres p.a.
- Commencing the building of a second bottling hall
- Commencing the installation of a new, high specification bottling facility
- Strengthening of our management team and organisational structure
- Maintaining the highest possible audit accreditations in the industry
- Servicing all of our customers' requirements despite the hot summer season and the investment in infrastructure

None of this could have been achieved without the skill, dedication and hard work of all our staff and the ongoing support from our valued suppliers and our loyal customers.

Principal risks and uncertainties

The risks the company face are assessed periodically and help to inform our key strategic initiatives. Over the last year the key risks that have been/are being managed include:

- Credit Risk – the Group maintains credit insurance on all customer credit accounts and closely manages credit terms with its customers.
- Interest Rate Risk – the Group has a number of debt facilities and has protected itself against movements in bank lending rates by fixing the rates for the majority of its borrowings.
- Liquidity risk – the Group uses invoice discounting facilities as its main source of working capital funding and maintains a very strong working relationship with its provider as well as closely monitoring cash requirements and the adequacy of its facilities.
- Capacity – Whilst the company's production facilities have been at capacity it has ensured the maintenance of stock availability through a combination of seasonal stock building and selective outsourcing.

HARROGATE SPRING WATER LIMITED

STRATEGIC REPORT (continued) FOR THE YEAR ENDED 31 MARCH 2014

- Project management of the new building and bottling plant – the company has ensured delivery of the capital projects through careful negotiation with key suppliers, securing skilled professional project management resource and through the close involvement of the Board.

The installation of the new bottling line and upgrade of the original line has substantially mitigated the risks of catastrophic line failure.

Financial key performance indicators

Sales revenue increased from £8.0m in 2013 to £9.1m in 2014. This represents an increase of 14.2% which compares favourably to the growth of the market of 10.1%. (source: 2014 Zenith UK Bottled Water Drinks Report)

Gross profit increased from £2.3m in 2013 to £2.6m in 2014 and we maintained tight control of overheads resulting in a 161% increase in operating profits.

Profits after tax improved from £85,130 to £821,901 as a result of improved trading and being able to recognise a deferred tax asset that is likely to crystallise in the foreseeable future.

As a result of the encouraging financial performance our balance sheet strength improved over the year from £869,754 in 2013 to £1,691,655 in 2014, an increase of 94.5%.

The board monitors the following KPI's:

- Turnover
- Gross margin %
- EBITDA
- Overall Equipment Efficiency
- Complaints per million

Research and development

The company has undertaken significant research activities during the year. As a result of increased demand for premium bottled water, the Company needed to identify a new water source so that it could satisfy demand for its product and expand its market share.

Harrogate Spring Water therefore engaged the services of a Consultant Hydrogeologist to carry out research and identify a suitable water source.

This report was approved by the board on 11 December 2014 and signed on its behalf.



J A Cain
Director

HARROGATE SPRING WATER LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2014

The directors present their report and the financial statements for the year ended 31 March 2014.

Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with 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 judgments and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

Results

The profit for the year, after taxation, amounted to £821,901 (2013 - £85,130).

Directors

The directors who served during the year were:

J A Cain
A L Parker (resigned 1 July 2014)
S D Burnett
A J Cain
P M Dickinson

Qualifying third party indemnity provisions

The company maintains insurance policies on behalf of the directors against liability arising from negligence, breach of duty and breach of trust in relation to the company.

Matters covered in the Strategic report

Information is not shown in the directors' report because it is shown in the strategic report instead under s414C(11). The strategic report includes a business review, principal risks and uncertainties, financial key performance indicators and research and development.

HARROGATE SPRING WATER LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2014

Disclosure of information to auditors

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 auditors are 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 auditors are aware of that information.

Auditors

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

This report was approved by the board on 11 December 2014 and signed on its behalf.



J A Cain
Director

HARROGATE SPRING WATER LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF HARROGATE SPRING WATER LIMITED

We have audited the financial statements of Harrogate Spring Water Limited for the year ended 31 March 2014 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet, the Cash Flow Statement 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).

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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. 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 Auditors' 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.

Scope of the audit of the financial statements

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

Opinion on the 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 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 the other matter prescribed by the Companies Act 2006

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

HARROGATE SPRING WATER LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF HARROGATE SPRING WATER LIMITED

Matters on which we are required to report by exception

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

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



Shaun Mullins (Senior Statutory Auditor)

for and on behalf of Mazars LLP

Chartered Accountants and Statutory Auditor

Mazars House
Gelder Road
Gildersome
Leeds
LS27 7JN

Date: 19 December 2014

HARROGATE SPRING WATER LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2014

	Note	2014 £	As restated 2013 £
Turnover	1	9,143,725	8,008,146
Cost of sales		(6,500,042)	(5,675,842)
Gross profit		2,643,683	2,332,304
Distribution costs		(1,354,147)	(1,318,651)
Administrative expenses		(672,152)	(631,506)
Exceptional administrative expenses		(136,600)	(197,949)
Total administrative expenses		(808,752)	(829,455)
Operating profit	3	480,784	184,198
Interest payable and similar charges	6	(164,883)	(99,068)
Profit on ordinary activities before taxation		315,901	85,130
Tax on profit on ordinary activities	7	506,000	-
Profit for the financial year	16	821,901	85,130

All amounts relate to continuing operations.

The notes on pages 11 to 25 form part of these financial statements.

HARROGATE SPRING WATER LIMITED

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 MARCH 2014

	Note	2014 £	As restated 2013 £
Profit for the financial year		821,901	85,130
Total recognised gains and losses relating to the year		821,901	85,130
Prior year adjustment	17	350,924	
Total gains and losses recognised since last financial statements		1,172,825	

The notes on pages 11 to 25 form part of these financial statements.

HARROGATE SPRING WATER LIMITED

Registered number: 04056786

BALANCE SHEET AS AT 31 MARCH 2014

	Note	£	2014 £	As restated 2013 £
Fixed assets				
Tangible assets	8		6,033,553	636,494
Current assets				
Stocks	9	472,750		631,538
Debtors	10	3,695,527		2,729,838
Cash at bank and in hand		631,021		497,504
		<u>4,799,298</u>		<u>3,858,880</u>
Creditors: amounts falling due within one year	11	<u>(3,921,006)</u>		<u>(3,505,407)</u>
Net current assets			<u>878,292</u>	<u>353,473</u>
Total assets less current liabilities			<u>6,911,845</u>	<u>989,967</u>
Creditors: amounts falling due after more than one year	12		<u>(4,822,440)</u>	<u>(120,213)</u>
Accruals and deferred income	14		<u>(397,750)</u>	<u>-</u>
Net assets			<u><u>1,691,655</u></u>	<u><u>869,754</u></u>
Capital and reserves				
Called up share capital	15		100,000	100,000
Revaluation reserve	16		407,238	458,051
Profit and Loss account	16		<u>1,184,417</u>	<u>311,703</u>
Shareholders' funds	18		<u><u>1,691,655</u></u>	<u><u>869,754</u></u>

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

11 December 2014



S D Burnett
Director

The notes on pages 11 to 25 form part of these financial statements.

HARROGATE SPRING WATER LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2014

	Note	2014 £	As restated 2013 £
Net cash flow from operating activities	19	715,059	462,848
Returns on investments and servicing of finance	20	(159,167)	(99,701)
Capital expenditure and financial investment	20	(408,335)	(13,447)
Cash inflow before financing		147,557	349,700
Financing	20	(14,040)	151,930
Increase in cash in the year		133,517	501,630

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS/DEBT FOR THE YEAR ENDED 31 MARCH 2014

	2014 £	As restated 2013 £
Increase in cash in the year	133,517	501,630
Cash outflow from decrease in debt and lease financing	14,040	(151,930)
Change in net debt resulting from cash flows	147,557	349,700
New finance lease	(4,660,398)	-
Movement in net debt in the year	(4,512,841)	349,700
Net (debt)/funds at 1 April 2013	(1,279,705)	(1,629,405)
Net debt at 31 March 2014	(5,792,546)	(1,279,705)

The notes on pages 11 to 25 form part of these financial statements.

HARROGATE SPRING WATER LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014

1. Accounting Policies

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention as modified by the revaluation of plant and machinery and in accordance with applicable accounting standards.

The company is a subsidiary of Harrogate Water Brands Limited and along with its fellow subsidiary Thirsty Planet Limited (together 'the group') have cross guarantees with regard to banking facilities in place detailed in notes 11 and 12.

The use of the going concern basis of accounting is appropriate because there are no material uncertainties related to events or conditions that may cast significant doubt about the ability of the company to continue as a going concern.

The Directors have prepared forecasts for the company for each year through to 2018/2019 and have secured funding facilities that adequately service the needs of the company and the group over that period. The company has very good working relationships with their funders and manage the relationships via regular dialogue, meetings and financial reporting.

1.2 Turnover

Turnover comprises revenue recognised by the company in respect of goods and services supplied during the year, exclusive of Value Added Tax and trade discounts.

1.3 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost or valuation less depreciation. Depreciation is provided at rates calculated to write off the cost or valuation of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Plant & machinery	-	10% straight line, 13% reducing balance
Furniture, fittings & equipment	-	20% straight line

1.4 Leasing and hire purchase

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets. Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives. Assets acquired by hire purchase are depreciated over their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the company. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the Profit and Loss Account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

1.5 Operating leases

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

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the period until the date the rent is expected to be adjusted to the prevailing market rate.

HARROGATE SPRING WATER LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014

1. Accounting Policies (continued)

1.6 Stocks

Stocks are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving stocks. Cost includes all direct costs and an appropriate proportion of fixed and variable overheads.

1.7 Deferred taxation

Provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation.

Deferred tax is not provided on timing differences arising from the revaluation of fixed assets in the financial statements.

A net deferred tax asset is recognised only if it can be regarded as 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 assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse.

Deferred tax assets and liabilities are not discounted.

1.8 Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date.

Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction.

Exchange gains and losses are recognised in the Profit and Loss Account.

1.9 Research and development

Research and development expenditure is written off in the year in which it is incurred.

In previous years development expenditure was capitalised during the period in which it was incurred. Details in the change in accounting policy are included in note 17 of the financial statements.

1.10 Government grants

Government grants relating to tangible fixed assets are treated as deferred income and released to the Profit and Loss Account over the expected useful lives of the assets concerned. Other grants are credited to the Profit and Loss Account as the related expenditure is incurred.

1.11 Pensions

The company offers a group stakeholder scheme and contributes to this and a number of individuals' pension schemes on behalf of qualifying employees.

Contributions are charged to the Profit and Loss account as incurred.

HARROGATE SPRING WATER LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014

2. Turnover

A geographical analysis of turnover is as follows:

	2014 £	2013 £
United Kingdom	8,745,763	7,705,803
Rest of world	397,962	302,343
	<u>9,143,725</u>	<u>8,008,146</u>

3. Operating profit

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

	2014 £	As restated 2013 £
Depreciation of tangible fixed assets:		
- owned by the company	101,674	110,973
- held under finance leases	-	2,534
Auditors' remuneration	15,500	13,500
Auditors' remuneration - non-audit	8,850	3,400
Difference on foreign exchange	(2,102)	64
Exceptional administrative expenses	<u>136,600</u>	<u>197,949</u>

In the year under review, exceptional administrative expenses relate to research and development expenditure.

In the prior year, exceptional administrative expenses include a bad debt of £43,883, a termination fee of £23,648 on changing provider of Invoice Discount Finance, legal and consultancy fees of £23,291 in connection with due diligence and £107,127 in relation to research and development.

HARROGATE SPRING WATER LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014

4. Staff costs

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

	2014 £	2013 £
Wages and salaries	1,298,951	1,182,210
Other pension costs	32,876	31,341
	<u>1,331,827</u>	<u>1,213,551</u>

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

	2014 No.	2013 No.
Administration and management	15	14
Production	26	26
	<u>41</u>	<u>40</u>

5. Directors' remuneration

	2014 £	2013 £
Remuneration	<u>183,952</u>	<u>154,668</u>
Company pension contributions to defined contribution pension schemes	<u>14,951</u>	<u>10,813</u>

During the year retirement benefits were accruing to 3 directors (2013 - 3) in respect of defined contribution pension schemes.

6. Interest payable and other charges

	2014 £	2013 £
On bank loans and overdrafts	88,791	52,387
On other loans	56,286	37,382
On finance leases and hire purchase contracts	19,806	9,299
	<u>164,883</u>	<u>99,068</u>

HARROGATE SPRING WATER LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014

7. Taxation

	2014 £	2013 £
Analysis of tax charge in the year		
Deferred tax (see note 13)		
Recognition of deferred tax asset	(506,000)	-
Tax on profit on ordinary activities	(506,000)	-

Factors affecting tax charge for the year

The tax assessed for the year is the same as (2013 - the same as) the standard rate of corporation tax in the UK of 20% (2013 - 20%) as set out below:

	2014 £	2013 £
Profit on ordinary activities before tax	315,901	85,130
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2013 - 20%)	63,180	17,026
Effects of:		
Capital allowances for year in excess of depreciation	(64,794)	(22,922)
Other adjustments	1,614	5,896
Current tax charge for the year (see note above)	-	-

Factors that may affect future tax charges

The company has unutilised tax losses of £3,747,000 (2013 - £3,620,000) available for carry forward to offset against future profits arising from the same trade.

A deferred tax asset has been recognised only to the extent that suitable profits are expected to crystallise in the future. The amount of unrecognised deferred tax asset by reference to the total available tax losses as noted above is approximately £11,000 (2013 - £433,000).

Similarly, a deferred tax asset has not been recognised in respect of further timing differences arising as a result of the tax written down value of its fixed assets exceeding the net book value in the financial statements. The amount of unrecognised deferred tax asset in respect of decelerated capital allowances is approximately £11,000 (2013 - £299,000).

HARROGATE SPRING WATER LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014

8. Tangible fixed assets

	Plant & machinery £	Furniture, fittings and equipment £	Total £
Cost or valuation			
At 1 April 2013 (as restated)	2,865,368	129,472	2,994,840
Additions	5,486,771	11,962	5,498,733
At 31 March 2014	8,352,139	141,434	8,493,573
Depreciation			
At 1 April 2013 (as restated)	2,235,793	122,553	2,358,346
Charge for the year	96,003	5,671	101,674
At 31 March 2014	2,331,796	128,224	2,460,020
Net book value			
At 31 March 2014	6,020,343	13,210	6,033,553
At 31 March 2013 (as restated)	629,575	6,919	636,494

The net book value of assets held under finance leases or hire purchase contracts, included above, are as follows:

	2014 £	2013 £
Plant and machinery	5,219,043	17,740

Included in the plant and machinery cost above is £5,470,269 (2013: £nil) in relation to assets which are not being depreciated as they are not yet in use.

Cost or valuation at 31 March 2014 is as follows:

	Plant and machinery £
At cost	6,482,099
At valuation:	
Bottling Filling Line	1,870,040
	8,352,139

HARROGATE SPRING WATER LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014

8. Tangible fixed assets (continued)

If the plant and machinery had not been included at valuation they would have been included under the historical cost convention as follows:

	2014 £	2013 £
Cost	1,036,151	1,036,151
Accumulated depreciation	(1,018,390)	(1,014,203)
Net book value	17,761	21,948

On 31 March 2014 the Bottling filling line was revalued by David Fawcett FRICS of Sanderson Weatherall LLP who is qualified as a RICS Registered Valuer. The line has been valued at £425,000 on the basis of market value using the depreciated replacement cost method (replacement cost of £1,870,040 and depreciation to date of £1,445,040). See note 17 for detailed guidance on the prior period adjustment.

9. Stocks

	2014 £	2013 £
Raw materials	142,857	199,992
Finished goods and goods for resale	329,893	431,546
	472,750	631,538

10. Debtors

	2014 £	2013 £
Trade debtors	1,590,453	1,261,625
Amounts owed by group undertakings	1,123,106	1,090,710
Prepayments and accrued income	231,968	133,503
Deferred tax asset (see note 13)	750,000	244,000
	3,695,527	2,729,838

All debtors are due within one year except for the deferred tax asset of which £650,000 (2013: £125,000) is expected to be recovered after one year from the balance sheet date.

HARROGATE SPRING WATER LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014

11. Creditors:
Amounts falling due within one year

	2014	2013
	£	£
Bank loans and overdrafts	986,954	1,489,776
Net obligations under finance leases and hire purchase contracts	614,172	167,219
Trade creditors	1,826,455	1,546,141
Amounts owed to group undertakings	8,176	5,329
Other taxation and social security	203,852	72,535
Other creditors	2,875	4,450
Accruals and deferred income	278,522	219,957
	<u>3,921,006</u>	<u>3,505,407</u>

The bank loans are secured by a fixed and floating charge over the assets of the company, a cross guarantee with other companies in the Harrogate Water Brands group and also by the parent company's shareholders' personal guarantees as detailed in notes 21 and 25.

The finance lease and hire purchase loans are secured on the assets concerned, a cross guarantee with other companies in the Harrogate Water Brands group and by the parent company's shareholders' personal guarantee as detailed in notes 21 and 25.

Bank loans and overdrafts includes advances received under an invoice discounting arrangement of £722,816 (2013: £1,393,944). The balance is secured over the company's trade debtors and there is a fixed and floating charge over property and assets of the company.

HARROGATE SPRING WATER LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014

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

	2014 £	2013 £
Bank loans	722,211	66,091
Net obligations under finance leases and hire purchase contracts	4,100,229	54,122
	<u>4,822,440</u>	<u>120,213</u>

Included within the above are amounts falling due as follows:

	2014 £	2013 £
Between one and two years		
Bank loans	239,811	66,091
	<u>239,811</u>	<u>66,091</u>
Between two and five years		
Bank loans	482,400	-
	<u>482,400</u>	<u>-</u>

Creditors include amounts not wholly repayable within 5 years as follows:

	2014 £	2013 £
Repayable by instalments	1,507,545	-
	<u>1,507,545</u>	<u>-</u>

Obligations under finance leases and hire purchase contracts, included above, are payable as follows:

	2014 £	2013 £
Between one and five years	2,592,684	54,122
After five years	1,507,545	-
	<u>4,100,229</u>	<u>54,122</u>

The bank loans are secured by a fixed and floating charge over the assets of the company, a cross guarantee with other companies in the Harrogate Water Brands group and also by the parent company's shareholders' personal guarantees as detailed in notes 21 and 25. Interest is charged at rates ranging from 2.5% to 8%.

The finance lease and hire purchase loans are secured on the assets concerned, a cross guarantee with other companies in the Harrogate Water Brands group and by the parent company's shareholders' personal guarantee as detailed in notes 21 and 25.

HARROGATE SPRING WATER LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014

13. Deferred tax asset

	2014 £	2013 £
At beginning of year	244,000	244,000
Released during year	506,000	-
At end of year	<u>750,000</u>	<u>244,000</u>

The deferred tax asset is made up as follows:

	2014 £	2013 £
Tax losses carried forward	<u>750,000</u>	<u>244,000</u>

14. Accruals and deferred income

	2014 £	2013 £
Grants	<u>397,750</u>	<u>-</u>

During the year the company received a grant totalling £430,000 towards the purchase of plant and machinery which has been capitalised.

In accordance with SSAP 4, the grant has been treated as deferred income and will be released to profit and loss account in line with the depreciation policy on the related asset. As such £32,250 of the deferred grant is included within current liabilities and £397,750 in non-current liabilities.

15. Share capital

	2014 £	2013 £
Allotted, called up and fully paid		
100,000 Ordinary shares of £1 each	<u>100,000</u>	<u>100,000</u>

At 1 April 2012 the company had ordinary share capital of £3,299,221. During 2013, Harrogate Spring Water Limited issued 1,500,000 ordinary shares at par value of £1 each. The company then underwent a capital reduction of £4,699,211 leaving ordinary share capital of £100,000 at 31 March 2013.

HARROGATE SPRING WATER LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014

16. Reserves

	Revaluation reserve £	Profit and Loss account £
At 1 April 2013 (as previously stated)		418,830
Prior year adjustment (note 17)	458,051	(107,127)
At 1 April 2013 (as restated)	458,051	311,703
Profit for the financial year		821,901
Transfer between Revaluation reserve and Profit and Loss account	(50,813)	50,813
At 31 March 2014	407,238	1,184,417

17. Prior year adjustment

The following prior period adjustments have been included within the 31 March 2014 financial statements.

Fixed asset revaluation

On 31 March 2014 the Bottling filling line was revalued by David Fawcett FRICS of Sanderson Weatherall LLP who is qualified as a RICS Registered Valuer. As the directors are of the opinion that this best reflects the carrying value of this asset class at 31 March 2014.

This change in accounting policy has resulted in an increase in the opening reserves and tangible fixed assets of £541,343 at 1 April 2012 and the closing reserves and tangible fixed assets at 31 March 2013 of £458,051. The profit before taxation for the year ended 31 March 2013 has decreased by £56,291 as a result of this restatement.

Research and development costs

The company has changed its accounting policy relating to the treatment of borehole expenditure. In previous years borehole expenditure was capitalised within tangible fixed assets. Borehole expenditure is now written off immediately as the directors are of the opinion that this better reflects the inherent uncertainty of the research and development expenditure.

This change in accounting policy has resulted in an decrease in opening reserves and the carrying value of tangible fixed assets of £107,127. The profit before taxation for the year ended 31 March 2013 has decreased by £107,127 as a result of the restatement.

HARROGATE SPRING WATER LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014

18. Reconciliation of movement in shareholders' funds

	2014 £	2013 £
Opening shareholders' funds/(deficit)	518,830	(1,229,719)
Prior year adjustments (note 17)	350,924	514,343
Opening shareholders' funds/(deficit) (as restated)	869,754	(715,376)
Profit for the financial year	821,901	85,130
Reduction in share capital (see note 15)	-	1,500,000
Closing shareholders' funds	1,691,655	869,754

19. Net cash flow from operating activities

	2014 £	As restated 2013 £
Operating profit	480,784	184,198
Depreciation of tangible fixed assets	101,674	113,507
Decrease in stocks	158,788	201,163
Increase in debtors	(427,293)	(141,132)
(Increase)/decrease in amounts owed by group undertakings	(29,549)	63,895
Increase in creditors	430,655	41,217
Net cash inflow from operating activities	715,059	462,848

20. Analysis of cash flows for headings netted in cash flow statement

	2014 £	2013 £
Returns on investments and servicing of finance		
Interest paid	(159,167)	(99,701)
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(838,335)	(13,447)
Government grants received	430,000	-
Net cash outflow from capital expenditure	(408,335)	(13,447)

HARROGATE SPRING WATER LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014

20. Analysis of cash flows for headings netted in cash flow statement (continued)

	2014 £	2013 £
Financing		
New secured loans	1,000,000	-
(Repayment of)/ drawdown of other loans	(671,127)	451,062
Repayment of loans	(175,575)	(123,362)
Repayment of finance leases	(167,338)	(175,770)
Net cash (outflow)/inflow from financing	(14,040)	151,930

21. Analysis of changes in net debt

	1 April 2013 £	Cash flow £	Other non-cash changes £	31 March 2014 £
Cash at bank and in hand	497,504	133,517	-	631,021
Debt:				
Debts due within one year	(1,656,995)	704,476	(648,608)	(1,601,127)
Debts falling due after more than one year	(120,214)	(690,436)	(4,011,790)	(4,822,440)
Net debt	(1,279,705)	147,557	(4,660,398)	(5,792,546)

22. Contingent liabilities

The company has guaranteed amounts owed by group undertakings amounting to £71,540 (2013: £103,985) at the balance sheet date.

23. Capital commitments

At 31 March 2014 the company had capital commitments as follows:

	2014 £	2013 £
Contracted for but not provided in these financial statements	425,327	18,200

HARROGATE SPRING WATER LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014

24. Pension commitments

The company offers a group stakeholder scheme. The company contributes to a number of individuals' pension schemes on behalf of qualifying employees. Contributions are charged to the Profit and Loss account as incurred. The amount charged to the Profit and Loss account during the year was £32,876 (2013: £31,341).

There were £2,567 of contributions outstanding at the balance sheet date (2013: £858).

25. Operating lease commitments

At 31 March 2014 the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings			Other
	2014	2013	2014	2013
	£	£	£	£
Expiry date:				
Within 1 year	-	-	12,054	5,870
Between 2 and 5 years	-	-	3,993	29,037
After more than 5 years	117,500	117,500	10,680	-
	<u>117,500</u>	<u>117,500</u>	<u>10,680</u>	<u>-</u>

HARROGATE SPRING WATER LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014

26. Related party transactions

	Balance at 1 April 2013 £	Payments in the year £	Interest in the year £	Balance at 31 March 2014 £
Harrogate Water Brands Limited	1,090,710	71,550	(39,154)	1,123,106

The company has taken advantage of the exemption under FRS8 from the requirement to disclose transactions with group companies on the grounds that consolidated financial statements are prepared by the ultimate parent company.

During the year the company was charged, on an arm's length basis, rent of £117,500 (2013 - £117,500), royalties of £23,532 (2013: £20,457), and turnover rent of £42,629 (2013 - £39,518) by Harrogate Spa Water Limited Executive Pension Scheme. Some of the directors of the company are trustees of the pension scheme. At the year end the amount due to the pension scheme in relation to the rent was £11,500 (2012: £11,500). Royalties charged in the year by Harrogate Spa Water Limited Executive Pension Scheme to the company were for the use of the Thirsty Planet trade mark under a licence agreement.

The following shareholders in Harrogate Water Brands Limited have provided personal guarantees to the company's external funders totalling £2,125,000 - A J Cain, J A Cain and A L Parker. (2013: £1,330,200 - A J Cain, J A Cain and A L Parker).

During the year the company made purchases in respect of director services from Massive Deal Limited trading as The Alternative Board £12,000 (2013: £12,000). P Dickinson, a director of the company is a director of Massive Deal Limited trading as The Alternative Board. The company also made purchases in the year from Massive Deal Limited in respect of training of £6,000 (2013: £6,000).

27. Ultimate parent undertaking and controlling party

The company's immediate and ultimate parent undertaking is Harrogate Water Brands Limited.

The company's ultimate controlling party is the Cain Family, by virtue of their shareholding in Harrogate Water Brands Limited.