Grant Thornton

# Financial statements
# Sprayway Limited

**For the Year Ended** 30 June 08

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COMPANIES HOUSE

**Company No.** 05158886

# Company information

| | |
|---|---|
| Company registration number | 05158886 |
| Registered office | Bailey Court<br>Green Street<br>Macclesfield<br>SK10 1JQ |
| Directors | S J Cann<br>B J Berryman |
| Secretary | S J Cann |
| Auditor | Grant Thornton UK LLP<br>Chartered Accountants<br>Registered Auditors<br>8 West Walk<br>Leicester<br>LE1 7NH |

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# Report of the directors

The directors present their report and the financial statements of the company for the year ended 30 June 2008.

## Principal activities and business review

The principal activity of the company during the period following the trade transfer as detailed below was the distribution of outdoor leisure wear. For the period pre the trade transfer the principal activity was the provision of warehouse and distribution services to J Langdon Limited (a subsidiary company) in respect of outdoor leisure wear.

On 25 September 2007 an agreement was entered into with the bankers of J Langdon Limited, as a result of which debt of £4,100,000 was converted to equity in that company. As part of the restructuring, as at 25 September 2007 the trade and non bank assets and liabilities of J Langdon Limited were hived up to Sprayway Limited. J Langdon ceased to trade from this date onwards.

## Results and dividends

The profit for the year amounted to £695,175. The directors have not recommended a dividend.

## Financial risk management objectives and policies

The company uses financial instruments, other than derivatives, comprising borrowings, cash and other liquid resources and various other items such as trade debtors and creditors that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the company's operations. The main risks arising from the company financial instruments are interest rate risk, liquidity risk and foreign currency risk. The directors review and agree policies for managing each of these risks and they are summarised below. The policies have remained unchanged from previous periods.

### Interest rate risk

The company finances its operations through a mixture of inter-company accounts and bank borrowings. The company's exposure to interest rate fluctuations on its borrowings is managed on a group basis by the use of both fixed and floating facilities.

### Liquidity risk

The company seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. Primarily this is achieved through inter-company accounts and term bank loans. Short term flexibility is achieved by overdraft facilities.

### Currency risk

The company is exposed to transaction foreign exchange risk. Transaction exposures are hedged when known, mainly using the forward hedge market.

## Directors

The directors who served the company during the year were as follows:

S J Cann
B J Berryman

## Directors' responsibilities

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 Accounting Standards (United Kingdom Generally Accepted Accounting Practice). The financial statements are required by law to 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 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 proper accounting records that 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 1985. 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.

In so far as the directors are aware:

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

## Auditor

Grant Thornton UK LLP, having expressed their willingness to continue in office, will be deemed reappointed for the next financial year in accordance with section 487(2) of the Companies Act 2006 unless the company receives notice under section 488(1) of the Companies Act 2006.

## Medium company provisions

This report has been prepared in accordance with the special provisions for medium companies under Part VII of the Companies Act 1985.

BY ORDER OF THE BOARD

SJ Cann
Secretary
3 November 2008

Grant Thornton

# Report of the independent auditor to the members of Sprayway Limited

We have audited the financial statements of Sprayway Limited for the year ended 30 June 2008 which comprise the principal accounting policies, profit and loss account, balance sheet and notes 1 to 21. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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

The directors' responsibilities for preparing the Report of the Directors and the financial statements in accordance with United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Report of the Directors is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Report of the Directors and consider the implications for our report if we become aware of any apparent misstatements within it.

## Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

# Report of the independent auditor to the members of Sprayway Limited (continued)

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

## Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 30 June 2008 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Report of the Directors is consistent with the financial statements.

Grant Thornton UK LLP

GRANT THORNTON UK LLP
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS

**LEICESTER**
**3 November 2008**

# Principal accounting policies

## Basis of accounting

The financial statements have been prepared under the historical cost convention.

## Consolidation

The company is a wholly owned subsidiary of another company, incorporated in the European Union and in accordance with section 288 of the Companies Act 1985, is not required to produce, and has not published, consolidated accounts. The company is included in the consolidated financial statements of Bollin Group Limited, its parent company.

## Turnover

Turnover is the total amount receivable by the company for goods supplied and services provided, excluding VAT and trade discounts.

## Fixed assets

All fixed assets are initially recorded at cost.

## Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

| | | |
|---|---|---|
| Fixtures & Fittings | - | 20% Straight line |
| Motor Vehicles | - | 20% Straight line |
| Equipment | - | 20% Straight line |

## Stocks

Goods for resale are stated at the lower of cost and net realisable value. Cost is determined on a weighted average basis and includes transport and handling costs. Where necessary, provision is made for obsolete, slow moving and defective stocks.

## Hire purchase agreements

Assets held under hire purchase agreements are capitalised and disclosed under tangible fixed assets at their fair value. The capital element of the future payments is treated as a liability and the interest is charged to the profit and loss account on a straight line basis.

## Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

## Pension costs

The company operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the company. The annual contributions payable are charged to the profit and loss account.

## Deferred taxation

Deferred tax is recognised in respect of all material 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:

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.

# Profit and loss account

| | Note | Year to 30 Jun 08 £ | Period from 1 May 06 to 30 Jun 07 £ |
|---|---|---|---|
| Turnover | 1 | **4,800,264** | 2,124,247 |
| Cost of sales | | **3,030,652** | – |
| Gross profit | | **1,769,612** | 2,124,247 |
| Other operating charges | 2 | **1,812,371** | 1,843,202 |
| **Operating (loss)/profit** | 3 | **(42,759)** | 281,045 |
| Cost of restructuring the company | 5 | **748,472** | (2,770,329) |
| Interest payable and similar charges | 6 | **66,471** | 314,183 |
| **Profit/(loss) on ordinary activities before taxation** | | **639,242** | (2,803,467) |
| Tax on profit/(loss) on ordinary activities | 7 | **(55,933)** | 9,323 |
| **Profit/(loss) for the financial year** | 19 | **695,175** | (2,812,790) |

All of the activities of the company are classed as continuing.

The company has no recognised gains or losses other than the results for the year as set out above.

# Balance sheet

| | Note | 2008 £ | 2007 £ |
|---|---|---|---|
| **Fixed assets** | | | |
| Tangible assets | 8 | **74,103** | 93,278 |
| Investments | 9 | **1** | 1 |
| | | **74,104** | 93,279 |
| **Current assets** | | | |
| Stocks | 10 | **2,296,957** | – |
| Debtors | 11 | **1,280,962** | 251,810 |
| | | **3,577,919** | 251,810 |
| **Creditors: amounts falling due within one year** | 13 | **2,717,886** | 18,643 |
| **Net current assets** | | **860,033** | 233,167 |
| **Total assets less current liabilities** | | **934,137** | 326,446 |
| **Creditors: amounts falling due after more than one year** | 14 | **3,223,501** | 3,309,285 |
| **Provisions for liabilities** | | | |
| Deferred taxation | 12 | **–** | 1,700 |
| **Capital and reserves** | | | |
| Called-up equity share capital | 18 | **1,000** | 1,000 |
| Profit and loss account | 19 | **(2,290,364)** | (2,985,539) |
| **Deficit** | 20 | **(2,289,364)** | (2,984,539) |
| | | **934,137** | 326,446 |

These financial statements were approved by the directors and authorised for issue on 3 November 2008, and are signed on their behalf by:

S J Cann

# Notes to the financial statements

1 Turnover

The turnover and profit before tax are attributable to the one principal activity of the company.
An analysis of turnover is given below:

| | Year to 30 Jun 08 £ | Period from 1 May 06 to 30 Jun 07 £ |
|---|---|---|
| United Kingdom | **3,972,632** | 2,124,247 |
| Overseas | **827,632** | - |
| | **4,800,264** | 2,124,247 |

2 Other operating charges

| | Year to 30 Jun 08 £ | Period from 1 May 06 to 30 Jun 07 £ |
|---|---|---|
| Administrative expenses | **1,812,371** | 1,843,202 |

3 Operating (loss)/profit

Operating (loss)/profit is stated after charging/(crediting):

| | Year to 30 Jun 08 £ | Period from 1 May 06 to 30 Jun 07 £ |
|---|---|---|
| Depreciation of owned fixed assets | **28,187** | 40,834 |
| Depreciation of assets held under hire purchase agreements | **6,367** | 2,428 |
| Profit on disposal of fixed assets | **(200)** | – |
| Auditor's remuneration: | | |
| Audit fees | **8,700** | 2,000 |

## 4 Directors and employees

The average number of persons employed by the company during the financial year, including the directors, amounted to 20 (2007 - 20).

The aggregate payroll costs of the above were:

| | Year to 30 Jun 08 £ | Period from 1 May 06 to 30 Jun 07 £ |
|---|---|---|
| Wages and salaries | **522,754** | 531,103 |
| Social security costs | **59,157** | 53,850 |
| Other pension costs | **7,268** | 2,009 |
| | **589,179** | 586,962 |

No directors received any remuneration from the company during the year.

## 5 Cost of reorganisation or restructuring

| | Year to 30 Jun 08 £ | Period from 1 May 06 to 30 Jun 07 £ |
|---|---|---|
| Cost of restructuring company | **(748,472)** | 2,770,329 |

Costs of restructuring company relate to the release of a provision (2007: provision) against the inter company balance due by J Langdon Limited.

## 6 Interest payable and similar charges

| | Year to 30 Jun 08 £ | Period from 1 May 06 to 30 Jun 07 £ |
|---|---|---|
| Interest payable on bank borrowing recharged from subsidiary | **156,872** | 276,669 |
| Finance charges payable under hire purchase agreements | **3,384** | – |
| Other similar charges payable | **(93,785)** | 37,514 |
| | **66,471** | 314,183 |

Included within other similar charges payable is a credit of £93,785 relating to the write off of accrued preference dividends which have now been waived by the holders (see note 15). (2007: £37,514 preference dividend charge).

## 7 Taxation on ordinary activities

(a) Analysis of charge in the year

| | Year to 30 Jun 08 £ | Period from 1 May 06 to 30 Jun 07 £ |
|---|---|---|
| Current tax: | | |
| UK Corporation tax based on the results for the year at 29.50% (2007 - 30%) | **216** | - |
| Over/under provision in prior year | **-** | 7,781 |
| | **216** | 7,781 |
| Group relief | **(53,249)** | (158) |
| Total current tax | **(53,033)** | 7,623 |
| Deferred tax: | | |
| Origination and reversal of timing differences | **(2,900)** | 1,700 |
| Tax on profit/(loss) on ordinary activities | **(55,933)** | 9,323 |

(b) Factors affecting current tax charge

The tax assessed on the profit/(loss) on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 29.50% (2007 - 30%).

| | Year to 30 Jun 08 £ | Period from 1 May 06 to 30 Jun 07 £ |
|---|---|---|
| Profit/(loss) on ordinary activities before taxation | **639,242** | (2,803,467) |
| Profit/(loss) on ordinary activities by rate of tax | **188,630** | (841,040) |
| Expenses not deductible for tax purposes | **(23,962)** | 11,254 |
| Difference between depreciation and capital allowances | **2,882** | (1,313) |
| Unrelieved tax losses | **-** | (158) |
| Adjustments to tax charge in respect of previous periods | **216** | 7,781 |
| Cost of restructuring company | **(220,799)** | 831,099 |
| Total current tax (note 7(a)) | **(53,033)** | 7,623 |

8 Tangible fixed assets

| | Fixtures & Fittings £ | Motor Vehicles £ | Computer Equipment £ | Total £ |
|---|---|---|---|---|
| Cost | | | | |
| At 1 July 2007 | 104,702 | 21,852 | 22,337 | 148,891 |
| Additions | 550 | – | 16,743 | 17,293 |
| Disposals | – | (2,750) | – | (2,750) |
| At 30 June 2008 | 105,252 | 19,102 | 39,080 | 163,434 |
| Depreciation | | | | |
| At 1 July 2007 | 38,007 | 2,312 | 15,294 | 55,613 |
| Charge for the year | 22,035 | 6,367 | 6,152 | 34,554 |
| On disposals | – | (836) | – | (836) |
| At 30 June 2008 | 60,042 | 7,843 | 21,446 | 89,331 |
| Net book value | | | | |
| At 30 June 2008 | **45,210** | **11,259** | **17,634** | **74,103** |
| At 30 June 2007 | 66,695 | 19,540 | 7,043 | 93,278 |

Included within the net book value of £74,103 is £11,259 (2007 - £19,424) relating to assets held under hire purchase agreements. The depreciation charged to the financial statements in the year in respect of such assets amounted to £6,367 (2007 - £2,428).

9 Investments

**Shares in subsidiary undertakings**

| | £ |
|---|---|
| Cost | |
| At 1 July 2007 and 30 June 2008 | **1** |
| Net book value | |
| At 30 June 2008 | **1** |
| At 30 June 2007 | 1 |

The company owns 100% of the issued share capital of J Langdon Limited, a company registered in Ireland.

10 Stocks

| | **2008** £ | 2007 £ |
|---|---|---|
| Raw materials | **1,013,091** | – |
| Finished goods | **1,283,866** | – |
| | **2,296,957** | – |

## 11 Debtors

| | 2008 | 2007 |
|---|---|---|
| | £ | £ |
| Trade debtors | **1,200,654** | – |
| Amounts owed by group undertakings | **34,383** | 251,810 |
| Prepayments and accrued income | **44,725** | – |
| Deferred taxation (note 12) | **1,200** | – |
| | **1,280,962** | 251,810 |

## 12 Deferred taxation

The deferred tax included in the Balance sheet is as follows:

| | Year to 30 Jun 08 | Period from 1 May 06 to 30 Jun 07 |
|---|---|---|
| | £ | £ |
| Included in debtors (note 11) | **1,200** | - |
| Included in provisions | - | (1,700) |
| | **1,200** | (1,700) |

The movement in the deferred taxation account during the year was:

| | Year to 30 Jun 08 | Period from 1 May 06 to 30 Jun 07 |
|---|---|---|
| | £ | £ |
| Balance brought forward | **(1,700)** | - |
| Profit and loss account movement arising during the year | **2,900** | (1,700) |
| Balance carried forward | **1,200** | (1,700) |

The balance of the deferred taxation account consists of the tax effect of timing differences in respect of:

| | 2008 | 2007 |
|---|---|---|
| | £ | £ |
| Excess of depreciation over taxation allowances | **1,200** | (1,700) |

## 13 Creditors: amounts falling due within one year

| | **2008** | 2007 |
|---|---|---|
| | **£** | £ |
| Overdrafts | **1,194,094** | – |
| Trade creditors | **391,600** | – |
| Amounts owed to group undertakings | **777,069** | – |
| Other taxation and social security | **38,189** | – |
| Amounts due under hire purchase agreements | **4,898** | 18,643 |
| Other creditors | **4,464** | – |
| Accruals and deferred income | **307,572** | – |
| | **2,717,886** | 18,643 |

## 14 Creditors: amounts falling due after more than one year

| | **2008** | 2007 |
|---|---|---|
| | **£** | £ |
| Amounts due under hire purchase agreements | **8,001** | – |
| Dividends payable | – | 93,785 |
| Shares classed as financial liabilities | **3,215,500** | 3,215,500 |
| | **3,223,501** | 3,309,285 |

## 15 Commitments under hire purchase agreements

Future commitments under hire purchase agreements net of future finance lease charges are as follows:

| | **2008** | 2007 |
|---|---|---|
| | **£** | £ |
| Amounts payable within 1 year | **4,898** | 18,643 |
| Amounts payable between 1 and 2 years | **8,001** | - |
| | **12,899** | 18,643 |

## 16 Leasing commitments

At 30 June 2008 the company had annual commitments under non-cancellable operating leases as set out below.

| | **Land & buildings** | |
|---|---|---|
| | **2008** | 2007 |
| | **£** | £ |
| Operating leases which expire: | | |
| Within 2 to 5 years | - | 97,500 |

## 17 Related party transactions

As the company is a wholly owned subsidiary of Bollin Group Limited, the company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of that group.

## 18 Share capital

Authorised share capital:

| | 2008 £ | 2007 £ |
|---|---|---|
| 1,000 Ordinary shares of £1 each | **1,000** | 1,000 |
| 177 Ordinary 'A' shares of £1 each | **177** | 177 |
| 3,215,500 Cumulative redeemable preference shares of £1 each | **3,215,500** | 3,215,500 |
| | **3,216,677** | 3,216,677 |

Allotted, called up and fully paid:

| | 2008 | | 2007 | |
|---|---|---|---|---|
| | **No** | **£** | No | £ |
| Ordinary shares of £1 each | **1,000** | **1,000** | 1,000 | 1,000 |
| Cumulative redeemable preference shares of £1 each | **3,215,500** | **3,215,500** | 3,215,500 | 3,215,500 |
| | **3,216,500** | **3,216,500** | 3,216,500 | 3,216,500 |

## 18 Share capital (continued)

The £1 ordinary shares are equity shares. The £1 cumulative redeemable preference shares are non-equity shares, and under the provisions of FRS 25 are presented as financial liabilities in these financial statements.

**Cumulative redeemable preference shares**
In accordance with the articles of association of the company the terms under which the preference shares are to be redeemed are as follows:

| Redemption date before: | Redemption price (as a % of par value): |
|---|---|
| 29 July 2007 | 15% |
| 28 July 2008 | 25% |
| 28 July 2009 | 35% |
| 28 July 2010 | 50% |
| 28 July 2014 | 75% |

The redemption price is the sum equivalent to the above percentages of the amount subscribed. The redemption dates represent anniversary dates of the adoption of the articles of association. If the preference shares have not been redeemed before the 10th anniversary of the adoption of the articles (i.e. 28 July 2014) then the shares will be redeemed at that date.

Fixed cumulative preference dividends are equal to 1% of the preference share capital issued and are accrued on an annual basis and payable on redemption of the shares. The preference dividends were formally waived by the holder of the preference shares during the year. The accrued dividend of £93,785 has therefore been released to the profit and loss account in the current year.

In accordance with FRS 25 Financial Instruments: Disclosure and Presentation, the preference shares have been reclassified as financial liabilities greater than 1 year (see note 14).

## 19 Profit and loss account

| | **Year to 30 Jun 08 £** | Period from 1 May 06 to 30 Jun 07 £ |
|---|---|---|
| Balance brought forward | **(2,985,539)** | (172,749) |
| Profit/(loss) for the financial year | **695,175** | (2,812,790) |
| Balance carried forward | **(2,290,364)** | (2,985,539) |

## 20 Reconciliation of movements in shareholders' funds

| | **2008 £** | 2007 £ |
|---|---|---|
| Profit/(Loss) for the financial year | **695,175** | (2,812,790) |
| Opening shareholders' deficit | **(2,984,539)** | (171,749) |
| Closing shareholders' deficit | **(2,289,364)** | (2,984,539) |

## 21 Ultimate parent company

The directors consider that the ultimate parent undertaking of this company is its parent company, Bollin Group Limited. Copies of the parent company's financial statements are available from the company secretary, Bollin Group Limited, Bailey Court, Green Street, Macclesfield, SK10 1JQ.

The directors regard B J Berryman, H Turner and C Fahy as the ultimate controlling parties by virtue of their status as controlling trustees of a trust which holds a 100% interest in the equity capital of Bollin Group Limited.