John Davidson (Pipes) Limited

Annual report and financial statements
Registered number SC050397
31 December 2015

Contents

Directors and advisers	1
Strategic report	2
Directors' report	4
Directors' responsibilities statement	5
Independent auditor's report to the members of John Davidson (Pipes) Limited	6
Profit and loss account	8
Statement of comprehensive income	9
Balance sheet	10
Statement of changes in equity	11
Notes to the financial statements	12

Directors and advisers

Directors	M S McLellan J H Telgen (Resigned 31 March 2016) S A Haspeslagh (Appointed 1 April 2016)
Secretary	I McGuiness
Independent Auditor	PricewaterhouseCoopers LLP 141 Bothwell Street Glasgow G2 7EQ
Bankers	Barclays Bank plc Multinational Corporate Team Level 28 1 Churchill Place Canary Wharf London E14 5HP
Registered office	1 Exchange Crescent Conference Square Edinburgh Scotland EH3 8UL

Strategic report

Principal activities

The principal activity of the company is the distribution of pipes and associated products for use in building, civil engineering and agriculture.

Company performance

The company has achieved another satisfactory result for the year to 31 December 2015. "Like for Like" operating profit decreased from £3,080,000 in the previous year to £3,049,000 (excluding immediate Group Management charge). Profit before tax (including all Group Management charges) decreased by £45,000 to £2,745,000.

The Directors believe that the company has benefited from a diverse customer base in building, construction and agricultural markets. It is believed that market share has grown in 2015.

Key areas of strategic development and performance of the business include:

- Sales and marketing: new and replacement business is being won continually; new markets have been developed in line with the group's strategy; key customer relationships are monitored on a regular basis.
- Manufacturing in the parent company: new products continue to be developed for both existing and development markets; production efficiencies have been gained and new initiatives for process and efficiency improvements are constantly being developed. John Davidson Pipes benefits from an exclusive position bringing these developments to the UK market as appropriate.
- Training and staff development are considered key to the success of the business.
- Health and Safety: accident and absenteeism rates are under constant review and the group continues to seek ways of ensuring that a safe and healthy working environment is progressively improved.
- Competitive advantage: the group focuses on areas where it has a competitive advantage including systems to aid sustainability in drainage and pollution control. These activities are significant areas of growth and concern in the business environment

Key performance indicators

Key financial performance indicators include the monitoring of the management of profitability and working capital.

	2015	2014	Measure
Financial			
Return on capital	**24%**	30%	Profit before tax/net assets
Current ratio	**1.86**	1.73	Current assets: current liabilities
Stock turnover	**6.43**	8.28	Cost of sales/stock
Days debtors	**43**	27	Trade debtors/turnover
Days creditors	**64**	58	Trade creditors/cost of sales
Sales per employee(£000)	**£246**	£257	Turnover/average number of employees
Operating profit per employee (£000)	**£13.13**	£14.67	Operating Profit/average number of employees
Non-financial			
Number of branches	**26**	26	

Strategic report *(continued)*

Principal risks and uncertainties facing the business

The principal risks and uncertainties affecting the business include the following:

- Raw material availability and prices particularly for plastic polymers can have a strong effect on our cost prices both from our Group factories and third party suppliers. Such increases have been very apparent in the period under review and can challenge the Company to defend margins against resistant customers.
- Debtors: the group maintains strong relationships with each of its key customers and has established credit control parameters. Appropriate credit terms are agreed with all customers and these are closely managed.
- Competitive risk: the group operates in highly competitive markets. Product innovations or technical advances by competitors could adversely affect the company. The diversity of operations reduces the possible effect of action by any single competitor.

Future outlook

The outlook for the markets in which the company operates is improving following several years in recession and we continue to focus on developing and growing the sales and profitability of the business.

By order of the board

I McGuiness
Company Secretary

1 Exchange Crescent Conference Square
Edinburgh
Scotland
EH3 8UL

22 September 2016

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2015.

Dividends

The company did not pay a dividend in the year *(2014: £nil)*.

Directors

The directors of the company during the year and to the date of this report were as follows:

M S McLellan
J H Telgen (Resigned 31 March 2016)
S A Haspeslagh (Appointed 1 April 2016)

Principal risks and uncertainties facing the business

Details of the principal risks and uncertainties facing the business can be found in the Strategic Report on page 3.

Future outlook

Details of the company's future outlook can be found in the Strategic Report on page 3.

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they each are aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken all steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and PricewaterhouseCoopers LLP will therefore continue in office.

By order of the board

I McGuiness
Company Secretary

1 Exchange Crescent Conference Square
Edinburgh
Scotland
EH3 8UL

22 September 2016

Directors' responsibilities statement

The directors are responsible for preparing the strategic report, 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS 102).

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 those financial statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgments and 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, including FRS 102;
- Notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 102 used in the preparation of 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.

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 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 company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent auditors' report to the members of John Davidson (Pipes) Limited

Report on the financial statements

Our opinion

In our opinion, John Davidson (Pipes) Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2015 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.

What we have audited

The financial statements, included within the Annual Report and financial statements (the "Annual Report"), comprise:

- the Balance Sheet as at 31 December 2015;
- the Profit and loss account for the year then ended;
- the Statement of comprehensive income for the year then ended;
- the Statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

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.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, 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.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Independent auditors' report to the members of John Davidson (Pipes) Limited (continued)

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Directors' Responsibilities Statement set out 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) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Mark Hoskyns-Abrahall (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Edinburgh
22 September 2016

Profit and loss account

for the year ended 31 December 2015

	Note	2015 £000	2014 £000
Turnover	2	**51,864**	51,086
Cost of sales		**(37,402)**	(37,030)
Gross profit		**14,462**	14,056
Distribution costs		**(6,326)**	(6,122)
Administrative expenses		**(5,366)**	(5,013)
Operating profit	3	**2,770**	2,921
Interest receivable and similar income	5	**116**	74
Interest payable and similar charges	6	**(141)**	(205)
Profit on ordinary activities before taxation		**2,745**	2,790
Tax on profit on ordinary activities	7	**(609)**	(631)
Profit for the financial year		**2,136**	2,159

All of the company's activities are continuing.

Statement of comprehensive income

for the year ended 31 December 2015

	2015	2014
	£000	£000
Profit for the financial year	**2,136**	2,159
Total comprehensive income for the year	**2,136**	2,159

Balance sheet
at 31 December 2015

	Note	2015 £000	2015 £000	2014 £000	2014 £000
Fixed assets					
Intangible assets	8		**-**		-
Tangible assets	9		**2,658**		2,436
Investments	10		**60**		60
			2,718		2,496
Current assets					
Inventories	11	**5,829**		4,473	
Debtors	12	**13,128**		11,780	
Cash at bank and in hand	14	**264**		239	
		19,221		16,492	
Creditors: amounts falling due within one **year**	15	**(10,336)**		(9,580)	
Net current assets			**8,885**		6,912
Total assets less current liabilities			**11,603**		9,408
Creditors: amounts falling due after more than one year	16		**(208)**		(208)
Provisions for liabilities					
Deferred tax liability	*13*		**(59)**		-
Net assets			**11,336**		9,200
Capital and reserves					
Called up share capital	17		**10**		10
Profit and loss account			**11,326**		9,190
Total equity			**11,336**		9,200

These financial statements were approved by the board of directors on 22nd September 2016 and were signed on its behalf by:

M S McLellan
Director

Company registered number: SC050397

Statement of changes in equity
for the year 31 December 2015

	Called up share capital £000	Profit and loss account £000	Total equity £000
Balance at 1 January 2014	10	7,031	7,041
Profit for the financial year	-	2,159	2,159
Total comprehensive income for the year	-	2,159	2,159
Balance at 31 December 2014	10	9,190	9,200
Profit for the financial year	-	2,136	2,136
Total comprehensive income for the year	-	2,136	2,136
Balance at 31 December 2015	**10**	**11,326**	**11,336**

Notes to the financial statements

(forming part of the financial statements)

1 Accounting policies

John Davidson (Pipes) Limited "the company" is a company limited by shares and incorporated and domiciled in the UK. Its registered office is 1 Exchange Crescent Conference Square,Edinburgh,Scotland,EH3 8UL.

The company is exempt under section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of Tessenderlo Chemie NV.

These financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard applicable* in the UK and Republic of Ireland ("FRS 102") issued in August 2014. The amendments to FRS 102 issued in July 2015 and effective immediately have been applied. The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

In the transition to FRS 102 from old UK GAAP, the company has made no measurement and recognition adjustments. An explanation of how the transition to FRS 102 has affected financial position and financial performance of the company is provided in note 21.

FRS 102 grants certain first-time adoption exemptions from the full requirements of FRS 102. The following exemptions have been taken in these financial statements:

- Business combinations - Business combinations that took place prior to 1 January 2014 have not been restated.
- Separate financial instruments - carrying amount of the company's cost of investment in subsidiaries is its deemed cost at 1 January 2014.
- Lease arrangements - in order to determine whether an arrangement contains a lease, the company has analysed facts and circumstances existing at 1 January 2014 rather than commencement date of the arrangement.
- Lease incentives - for leases commenced before 1 January 2014 the company continued to account for lease incentives under previous UK GAAP.

The company's ultimate parent undertaking, Tessenderlo Chemie NV, includes the company in its consolidated financial statements. The consolidated financial statements of Tessenderlo Chemie NV are available to the public and may be obtained from is registered office at Headquarters, Rue du Trone 130, B-1050 Brussels. In these financial statements, the company is considered to be a qualifying entity for the purposes of this FRS and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to end of the period;
- Cash Flow Statement and related notes; and
- Key Management Personnel compensation.

As the consolidated financial statements of Tessenderlo Chemie NV include the equivalent disclosures, the company has also taken the exemptions under FRS 102 available in respect of the following disclosures:

- The disclosures required by FRS 102.11 Basic Financial Instruments and FRS 102.12 Other Financial Instrument Issues in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements. On first time adoption of FRS 102, the company has not retrospectively changed its accounting under old UK GAAP for de recognition of financial assets and liabilities before the date of transition.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 21.

Notes to the financial statements *(continued)*

1 Accounting policies *(continued)*

1.1 Change in accounting policy/prior period adjustment

In these financial statements the company has not changed its accounting policies nor has there been any prior year adjustments.

1.2 Measurement convention

The financial statements are prepared on the historical cost basis.

1.3 Going concern

The company had net current assets at the year end and has prepared forecasts that suggest that it will continue to meet its liabilities as they fall due for the foreseeable future. As a consequence of this the directors feel that the company can continue to trade for the foreseeable future and is well placed to manage its business risks successfully in the current economic climate. Accordingly, they believe the going concern basis is an appropriate one.

1.4 Foreign currency

Transactions in foreign currencies are translated to the company's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account.

1.5 Classification of financial instruments issued by the company

In accordance with FRS 102.22, financial instruments issued by the company are treated as equity only to the extent that they meet the following two conditions:

(a) they include no contractual obligations upon the company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company; and

(b) where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Where a financial instrument that contains both equity and financial liability components exists these components are separated and accounted for individually under the above policy. Transaction costs are allocated between the debt component and the equity component on the basis of their relative fair values.

Notes to the financial statements *(continued)*

1 Accounting policies *(continued)*

1.6 Basic financial instruments

Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for, example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Interest-bearing borrowings classified as basic financial instruments

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Investments in preference and ordinary shares

Investments in equity instruments are measured initially at fair value, which is normally the transaction price. Transaction costs are excluded if the investments are subsequently measured at fair value through profit and loss. Subsequent to initial recognition investments that can be measured reliably are measured at fair value with changes recognised in profit or loss. Other investments are measured at cost less impairment in profit or loss.

Investments in subsidiaries

These are separate financial statements of the company. Investments in subsidiaries are carried at cost less impairment.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

1.7 Other financial instruments

Financial instruments not considered to be Basic financial instruments (Other financial instruments)

Other financial instruments not meeting the definition of Basic Financial Instruments are recognised initially at fair value. Subsequent to initial recognition other financial instruments are measured at fair value with changes recognised in profit or loss except as follows:

- investments in equity instruments that are not publicly traded and whose fair value cannot otherwise be measured reliably shall be measured at cost less impairment.

Notes to the financial statements *(continued)*

1 Accounting policies *(continued)*

1.8 Tangible assets

Tangible assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of tangible assets have different useful lives, they are accounted for as separate items of tangible assets, for example land is treated separately from buildings.

Leases in which the company assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases.

The company assesses at each reporting date whether tangible assets are impaired.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible assets. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated. The estimated useful lives are as follows:

- Freehold buildings 50 years
- Motor vehicles 5 years
- Plant and machinery 5 years
- Fixtures and fittings 5 years

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the company expects to consume an asset's future economic benefits.

1.9 Intangible assets and goodwill

Goodwill

Goodwill is stated at cost less any accumulated amortisation and accumulated impairment losses. Goodwill is allocated to cash-generating units or group of cash-generating units that are expected to benefit from the synergies of the business combination from which it arose.

Other intangible assets

Other intangible assets that are acquired by the company are stated at cost less accumulated amortisation and less accumulated impairment losses.

Amortisation

Amortisation is charged to the profit or loss on a straight-line basis over the estimated useful lives of intangible assets. Intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

- Trademarks 10 years

Goodwill is amortised on a straight line basis over its useful life. Goodwill has no residual value. The finite useful life of goodwill is estimated to be 10 years.

The company reviews the amortisation period and method when events and circumstances indicate that the useful life may have changed since the last reporting date.

Goodwill and other intangible assets are tested for impairment in accordance with Section 27 Impairment of assets when there is an indication that goodwill or an intangible asset may be impaired.

Notes to the financial statements *(continued)*

1 Accounting policies *(continued)*

1.10 Inventories

Inventories are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is based on the first-in first-out principle and includes expenditure incurred in acquiring the stocks, production or conversion costs and other costs in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

1.11 Impairment excluding inventories and deferred tax assets

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.

Non-financial assets

The carrying amounts of the company's non-financial assets, other than stocks and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. 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.

An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss.

1.12 Employee benefits

Defined contribution plans and other long term employee benefits

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

1.13 Expenses

Operating lease

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

Interest receivable and Interest payable

Interest payable and similar charges include interest payable, finance charges and net foreign exchange losses that are recognised in the profit and loss account (see foreign currency accounting policy).

Other interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains.

Notes to the financial statements *(continued)*

1 Accounting policies *(continued)*

1.14 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; and differences relating to investments in subsidiaries to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that is it probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

1.15 Significant judgement and accounting estimates

In preparing these financial statements, the directors don't consider that they have made any accounting estimates or judgements which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year

2 Turnover

Turnover represents the amounts derived from one class of business, being the sale of pipes and associated products, for use in building, civil engineering and agriculture. It is stated net of discounts and value added tax and is derived almost exclusively in the United Kingdom.

3 Expenses and auditor's remuneration

	2015	2014
	£000	£000
Operating profit is stated after charging/(crediting):		
Depreciation and other amounts written off tangible fixed assets	**435**	427
Operating leases	**1,320**	1,306
Gain on sale of tangible fixed assets	**(1)**	(1)

Auditor's remuneration:	**£000**	£000
Audit of these financial statements	**32**	22

Notes to the financial statements *(continued)*

4 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	2015	2014
Administration	**26**	26
Sales and distribution	**185**	173
	211	199

The aggregate payroll costs of these persons were as follows:

	2015	2014
	£000	£000
Wages and salaries	**5,167**	4,672
Social security costs	**475**	450
Other pension costs	**167**	136
	5,809	5,258

Only one director receives remuneration in respect of services to the company, remuneration in the year was as follows:

	2015	2014
	£000	£000
Director's emoluments	**203**	233
Company contributions to money purchase pension schemes	**30**	28

5 Interest receivable and similar income

	2015	2014
	£000	£000
Bank interest receivable	**18**	17
Foreign exchange gains	**98**	57
	116	74

6 Interest payable and similar charges

	2015	2014
	£000	£000
Bank charges	**141**	205

Notes to the financial statements *(continued)*

7 Taxation

	2015	2014
	£000	£000
Current tax		
UK corporation tax on profit for the year	**-**	151
Adjustments in respect of prior year	**(3)**	(1)
Group relief	**534**	450
Total corporation tax	**531**	600
Deferred tax		
Origination/reversal of timing differences	**84**	31
Effect of change in taxation rate	**(1)**	-
Adjustments in respect of prior year	**(5)**	-
Total deferred tax	**78**	31
Tax on profit on ordinary activities	**609**	631

Factors affecting the tax charge

The tax charge for the period is higher (2014: higher) than the standard rate of corporation tax in the UK at 20.25% (2014: 21.49%). The differences are explained below:

	2015	2014
	£000	£000
Tax reconciliation		
Profit on ordinary activities before tax	**2,745**	2,790
Tax at 20.25% *(2014: 21.49%)*	**556**	600
Effects of:		
Expenses not deductible for tax purposes	**57**	32
Group relief claimed	**(534)**	(450)
Payment for group relief	**534**	450
Adjustment in respect of prior year	**(3)**	(1)
Effect of change in taxation rate	**(1)**	-
Tax charge for the year	**609**	631

Factors that may affect future current and total tax charges

Reductions to the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) and 18% (effective 1 April 2020) were substantively enacted on 26 October 2015. These rate reductions have been reflected in the calculation of deferred tax at the Balance Sheet date.

In the Budget on 16 March 2016, the Chancellor announced additional planned reductions to 17% effective from 1 April 2020. This will reduce the company's future current tax charge accordingly.

The deferred tax liability at 31 December 2015 has been calculated based on the rate of 18% substantively enacted at the balance sheet date.

It has not yet been possible to quantify the full anticipated effect of the announced further rate reduction, although this will further reduce the company's future current tax charge and reduce the company's deferred tax liability accordingly.

Notes to the financial statements *(continued)*

8 Intangible assets and goodwill

	Purchased goodwill £000	Trademarks £000	Total £000
Cost or valuation			
At beginning and end of year	761	9	770
Amortisation			
At beginning and end of year	761	9	770
Net book value			
At beginning and end of year	**-**	**-**	**-**

9 Tangible assets

	Freehold Land and buildings £000	Leasehold improvements £000	Motor vehicles £000	Plant and machinery £000	Fixtures and fittings £000	Total £000
Cost						
At beginning of year	2,043	1,720	130	856	2,015	6,764
Additions	-	286	-	54	317	657
Disposals	(13)	(136)	-	(87)	(714)	(950)
At end of year	2,030	1,870	130	823	1,618	6,471
Depreciation						
At beginning of year	1,002	961	129	642	1,594	4,328
Charge for year	60	164	1	71	139	435
Disposals	(13)	(136)	-	(87)	(714)	(950)
At end of year	1,049	989	130	626	1,019	3,813
Net book value						
At 31 December 2015	**981**	**881**	**-**	**197**	**599**	**2,658**
At 31 December 2014	1,041	759	1	214	421	2,436

Notes to the financial statements *(continued)*

10 Investments

	£000
Cost or valuation	
Balance at the beginning and end of the year	60

The principal undertakings in which the company has interests at the year end are as follows:

	Country of incorporation	Class of share	%	Nature of business
Pipewise (UK) Limited	England	Ordinary	100	Dormant
Pipewise (IOW) Limited	England	Ordinary	100	Dormant
Duraplas Products Limited	England	Ordinary	100	Dormant
Milbar Industrial Plastics Limited	England	Ordinary	100	Dormant
Plumbwise Limited	England	Ordinary	100	Dormant

Director's believe the carrying value of investments is supported by their underlying net assets.

11 Inventories

	2015 £000	2014 £000
Finished goods and goods for resale	5,829	4,473

The cost of inventories recognised as an expense and included in 'cost of sales' amounted to £37.4 million (2014: £ 37.0 million).

12 Debtors

	2015 £000	2014 £000
Trade debtors	6,076	3,745
Prepayments and accrued income	2,167	1,996
Deferred tax (note 13)	-	19
Amounts due from group undertakings	4,885	6,020
	13,128	11,780

Amounts due from Group undertakings are interest free, repayable on demand and unsecured.

Notes to the financial statements *(continued)*

13 Deferred tax

	2015	2014
	£000	£000
At beginning of year	**19**	50
Charge for the year	**(78)**	(31)
At end of year	**(59)**	19

Analysed as:

	£000	£000
Capital allowances in excess of depreciation	**(91)**	(31)
Other timing differences	**32**	50
Deferred tax (liability)/asset	**(59)**	19

14 Cash and cash equivalents

	2015	2014
	£000	£000
Cash at bank and in hand	**264**	239
Cash and cash equivalents	**264**	239

15 Creditors: amounts falling due within one year

	2015	2014
	£000	£000
Trade creditors	**6,520**	5,857
Other creditors including taxation and social security	**503**	661
Accruals	**827**	913
Amounts owed to parent undertakings	**2,486**	2,148
Corporation tax payable	**-**	1
	10,336	9,580

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

Notes to the financial statements *(continued)*

16 Creditors: amounts falling due after more than one year

	2015 £000	2014 £000
Amounts owed to parent undertaking	**208**	208

Amounts owed to parent undertakings are unsecured and interest free.

17 Called up share capital

	2015 £000	2014 £000
Issued share capital - allotted, called up and fully paid		
10,000 Ordinary shares of £1 each	**10**	10

18 Pensions

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in a separately administered fund. The pension charge represents contributions payable by the company to the fund and, for the period, amounted to £167,448 (2014: £135,648). The total of pension contributions outstanding at the year end was £21,741 (2014: £19,450).

19 Operating leases

The company's Non-cancellable operating lease rentals are payable as follows:

	2015 £000	2014 £000
Expiring:		
within one year	**1,266**	1,514
between two and five years	**1,755**	1,835
after five years	**4,091**	4,445
	7,112	7,794

Notes to the financial statements *(continued)*

20 Ultimate parent company and parent undertaking of larger group of which the company is a member

The intermediate parent undertaking is John Davidson (Holdings) Limited, a company registered in Scotland and has a 100% interest in the equity share capital of John Davidson (Pipes) Limited. The directors consider the ultimate holding company to be Tessenderlo Chemie NV which is incorporated in Belgium. Copies of that company's accounts are available from its registered office at Headquarters, Rue du Trone 130, B-1050 Brussels.

The company has taken advantage of the exemption conferred by Financial Reporting Standards 102: 'Related party disclosures' not to disclose transactions with members of the group headed by Tessenderlo Chemie NV on the grounds that at least 90% of the voting rights in the company are controlled within that group and the company is included in its consolidated financial statements.

21 Explanation of transition to FRS 102

This is the first year that the company has presented its financial statements under FRS 102 (Financial Reporting Standard 102) issued by the Financial Reporting Council. The following disclosures are required in the year of transition. The last financial statements under a previous GAAP (UK GAAP) were for the year ended 31 December 2014 and the date of transition to FRS 102 was therefore 1 January 2014.

Reconciliation of Profit and Loss Account

No adjustments were posted to restate the prior year Profit and Loss Accounts as a result of the decision to transition to FRS 102 on 1 January 2014.

Reconciliation of Equity

No adjustments were posted to restate the prior year equity balances as a result of the decision to transition to FRS 102 on 1 January 2014.