

COMPANIES HOUSE COPY

Mereway Kitchens Limited

Report and Financial Statements

Year Ended

31 March 2014

Company Number 2028938

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COMPANIES HOUSE



Mereway Kitchens Limited

Report and financial statements for the year ended 31 March 2014

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Directors

L V Norris
R S J Norris
S L G Norris
S Constantinides
G Jones
S Blue

Secretary and registered office

S Constantinides, Redfern Park Way, Birmingham, B3 3SD

Company number

2028938

Auditors

BDO LLP, 125 Colmore Row, Birmingham, B3 3SD

Mereway Kitchens Limited

Strategic report for the year ended 31 March 2014

The directors present their strategic report together with the audited financial statements for the year ended 31 March 2014.

Principal activities

The principal activity of the group is the manufacture and sale of furniture components and the facilitation of the sale of fitted furniture.

Review of business

The trading results of the group continued to improve following two years where the result has shown a loss, the group has made an operating profit for the year ended 31 March 2014 of £357,540 (2013: loss of £365,798).

Gross margin has increased from 34% to 35% through an improved yield and a favourable exchange rate, as the sales volume reduced slightly. This emphasises the focus of the business on driving through operational and manufacturing efficiencies and new initiatives as there continued to be difficult trading conditions during the year.

Operating expenses excluding raw materials have decreased in the year by £612,373 as a result of increased efficiencies in group resources to support associated companies from a centralised group head office.

In terms of cash generation, by focusing on the key elements of the business and ensuring best use was made of its assets, the group was able to generate cash in excess of £540,000 from operations. This means the group has been able to invest in capital during the year of over £300,000. Cash generation continues to be a major goal of the Board.

During the year Mereway Kitchens Limited disposed of its investment in Trend Joinery Limited (refer to note 24).

Principal risks and uncertainties

The group manages competitive trading risk by providing an unrivalled service to its customers, in terms of innovative design, service and quality; however the performance of the group is to a certain degree dependent on the economy.

The manufacture of the group's products includes the import of a substantial percentage of its total material content and the key supplies are priced in Euros. In addition, a limited amount of sales are invoiced in Euros. Therefore the group is exposed to foreign exchange risks. The group seeks to minimise these risks by hedging its supply pricing and foreign exchange in whole or in part wherever it identifies an opportunity to do so. Measures which review the impact of changes in foreign exchange rates and material prices are also used by the company within their accounts to provide management with suitable detail as to decide future policy on such risks.

Group policies are aimed at minimising credit losses and require that credit terms are only granted to customers who demonstrate an appropriate payment history and following the completion of credit check procedures and are maintained within the acceptable limits of the company's credit insurance terms.

Investments in fixed assets and working capital are carefully controlled, with authorisation limits operating at different levels up to board level and with the rates of return and cash payback periods applied as part of a defined investment process.

The group is effectively financed by loans, finance leases and invoice discounting. It therefore has an interest rate and liquidity exposure. Interest exposure is managed by combining fixed and variable rate borrowings. Liquidity exposure is managed by maintaining rolling short term and longer term cash flow forecasts and by ensuring additional funding is available during the year, particularly given the seasonal nature of the cash flow. The short term cashflow forecast is managed on a daily basis over a rolling 6 month period whilst a 24 month cash flow is managed on a monthly basis. These cash flows are reviewed on a regular basis to ensure they

Mereway Kitchens Limited

Strategic report for the year ended 31 March 2014 (continued)

Principal risks and uncertainties (continued)

reflect changes in the business and the economic conditions.

Outlook for the current year

At the time of writing, turnover is on target for achieving its year's budget figures as the group continues to grow with the aid of recent capital investment. Gross margins, overhead recovery and production efficiencies remain key focuses of the business.

Key performance indicators

Key performance indicators include turnover, gross margin and operating profits.

	Year ended 31 March 2014	Year ended 31 March 2013
Turnover	14,218,488	16,931,505
Gross profit	4,970,406	5,791,330
Operating profit/(loss) before exceptional items and amortisation	357,962	(267,259)

Environmental matters

The group takes its environmental responsibilities seriously and recognises that business activities inevitably have an impact on the natural environment. It is committed to minimising this impact, wherever possible and is continuing its investment in projects on renewable heat and, on having achieved Forest Stewardship Council (FSC) and Programme for the Endorsement of Forest Certification (PEFC) Chain of Custody Certification (COC) the company is actively encouraging and supporting its suppliers to go through the certification process.

The group recognises the importance and implications of the health and safety at Work Act 1974 and all new health and safety legislation, including that promulgated through EU directives. The group employs a full time health & safety officer and operates a series of health & safety risk management and awareness programmes. Thus ensuring compliance throughout the group with the increasing complexities of health and safety legislation and to reduce the incidence of hazardous circumstances that might affect the health and safety of employees. The group's insurers also take a keen interest in these programmes and provide valuable advice about ensuring health and safety compliance.

By order of the board

R S J Norris
Director



31 October 2014

Mereway Kitchens Limited

Report of the directors for the year ended 31 March 2014

The directors present their report together with the audited financial statements for the year ended 31 March 2014.

Results and dividends

The profit and loss account is set out on page 7 and shows the profit for the year.

During the year a dividend of £1 (2013: £Nil) was paid to the shareholders.

Financial instruments

The group is financed by a combination of loans from its parent and the group's bankers

As highlighted in note 17 to the financial statements, the company is party to group banking facilities. These facilities are made available to the group to meet its day to day working capital requirements.

The current economic conditions create uncertainty particularly with regard to the level of demand for products and services and the cost of raw materials. However, the group's forecasts and projections, taking account of changes in trading performance, show that the group should be able to operate within the level of its current facilities.

Future developments

The group is continuing to investigate ways in which its current growth can be maintained in future years, either through further capital investment or internal efficiencies.

Research and development

The group actively participates in product development through a dedicated development team. It continually seeks to review current production designs.

Directors

The directors of the company during the year and subsequent to the year end were:

L V Norris
R S J Norris
S L G Norris
J M Foster (Resigned 2 June 2014)
S Constantinides
G Jones
S Blue (Appointed 1 April 2014)

Mereway Kitchens Limited

Report of the directors for the year ended 31 March 2014 (*continued*)

Directors' responsibilities

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 group and company 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 group and company and of the profit or loss of the group for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- 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.

Auditors

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

BDO LLP have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

By order of the board

R S J Norris

Director



31 October 2014

Mereway Kitchens Limited

Independent auditor's report

To the members of Mereway Kitchens Limited

We have audited the financial statements of Mereway Kitchens Limited for the year ended 31 March 2014 which comprise the consolidated profit and loss account, the consolidated and company balance sheets, the consolidated 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).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the statement of directors' responsibilities, 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 Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 March 2014 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the strategic report and directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

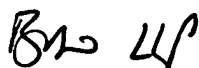
Mereway Kitchens Limited

Independent auditor's report (*continued*)

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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.



*Stephen Ward (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
Birmingham
United Kingdom*

3 November 2014

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Mereway Kitchens Limited

Consolidated profit and loss account for the year ended 31 March 2014

	Note	2014 £	2013 £
Turnover	3	14,218,488	16,931,505
Cost of sales		<u>9,248,082</u>	<u>11,140,175</u>
Gross profit		4,970,406	5,791,330
Administrative expenses- including exceptional costs of £Nil (2013 - £52,212)	2	<u>4,713,764</u>	<u>6,173,272</u>
		256,642	(381,942)
Other operating income		<u>100,915</u>	<u>16,144</u>
Group operating profit/(loss)	4	357,557	(365,798)
(Loss)/profit on disposal of operation	24	<u>(149,878)</u>	<u>172,435</u>
Profit/(loss) on ordinary activities before interest and other income		207,679	(193,363)
Other interest receivable and similar income		-	1,405
Interest payable and similar charges	7	<u>(80,653)</u>	<u>(83,206)</u>
Profit/(loss) on ordinary activities before taxation		127,026	(275,164)
Taxation on profit/(loss) on ordinary activities	8	<u>(53,292)</u>	<u>211,441</u>
Profit/(loss) on ordinary activities after taxation		<u>73,734</u>	<u>(63,723)</u>

All amounts relate to continuing activities.

All recognised gains and losses in the current and prior year are included in the profit and loss account.

The notes on pages 11 to 29 form part of these financial statements.

Mereway Kitchens Limited

Consolidated balance sheet at 31 March 2014

Company number 2028938	Note	2014 £	2014 £	2013 £	2013 £
Fixed assets					
Intangible assets	11	-	-	-	367,766
Tangible assets	12		1,281,960		1,414,481
			1,281,960		1,782,247
Current assets					
Stocks	14	2,457,611		2,390,320	
Debtors	15	2,577,338		2,526,563	
Cash at bank and in hand		219,666		101,526	
		5,254,615		5,018,409	
Creditors: amounts falling due within one year	16	3,717,310		3,992,475	
Net current assets			1,537,305		1,025,934
Total assets less current liabilities			2,819,265		2,808,181
Creditors: amounts falling due after more than one year	17	351,392		385,363	
Provisions for liabilities	18	46,514		75,192	
			397,906		460,555
			2,421,359		2,347,626
Capital and reserves					
Called up share capital	20	48,583		48,583	
Share premium account	21	702,585		702,585	
Capital redemption reserve	21	18,107		18,107	
Profit and loss account	21	1,652,084		1,578,351	
Shareholders' funds	22	2,421,359		2,347,626	

The financial statements were approved by the board of directors and authorised for issue on 31 October 2014.

R S J Norris
Director

S L G Norris
Director

The notes on pages 11 to 29 form part of these financial statements.

Mereway Kitchens Limited

Company balance sheet at 31 March 2014

<i>Company number 2028938</i>	Note	2014 £	2014 £	2013 £	2013 £
Fixed assets					
Intangible assets	11		-		405
Tangible assets	12		1,277,185		1,329,584
Fixed asset investments	13		1		2
			<u>1,277,186</u>		<u>1,329,991</u>
Current assets					
Stocks	14	2,457,611		2,366,988	
Debtors - due within one year	15	2,589,603		2,489,644	
Debtors - due after more than one year	15	420,000		400,000	
		<u>3,009,603</u>		<u>2,889,644</u>	
Total debtors					
Cash at bank and in hand		218,256		26,318	
		<u>5,685,470</u>		<u>5,282,950</u>	
Creditors: amounts falling due within one year	16	3,701,811		3,667,350	
		<u>1,983,659</u>		<u>1,615,600</u>	
Net current assets					
			3,260,845		2,945,591
Total assets less current liabilities					
Creditors: amounts falling due after more than one year	17		351,392		385,363
			<u>2,909,453</u>		<u>2,560,228</u>
Capital and reserves					
Called up share capital	20		48,583		48,583
Share premium account	21		702,585		702,585
Capital redemption reserve	21		18,107		18,107
Profit and loss account	21		2,140,178		1,790,953
			<u>2,909,453</u>		<u>2,560,228</u>
Shareholders' funds	22				

The financial statements were approved by the board of directors and authorised for issue on 31 October 2014.

R S J Norris
Director

S L G Norris
Director

The notes on pages 11 to 29 form part of these financial statements.

Mereway Kitchens Limited

Consolidated cashflow statement for the year ended 31 March 2014

	Note	2014 £	2014 £	2013 £	2013 £
Net cash inflow from operating activities	27		543,466		298,703
Returns on investments and servicing of finance					
Interest received				1,405	
Interest paid: bank loans		(17,526)		(28,654)	
Interest paid: hire purchase		(63,127)		(54,552)	
Net cash outflow from returns on investments and servicing of finance			(80,653)		(81,801)
Taxation					
Corporation tax received/(paid)			207,529		(251,477)
Capital expenditure and financial investment					
Payments to acquire tangible fixed assets		(132,737)		(153,617)	
Receipts from sale of tangible fixed assets		4,151		4,600	
Net cash outflow from capital expenditure and financial investment			(128,586)		(149,017)
Acquisitions and disposals					
Sale of business operations			-		742,435
Cash disposed of with subsidiary undertaking			(71,745)		-
Cash inflow before use of financing			470,011		558,843
Financing					
Share capital issued				2,565	
Loans repaid		(124,901)		(345,065)	
Capital element of finance leases repaid		(226,970)		(41,406)	
Net cash outflow from financing			(351,871)		(383,906)
Increase in cash	28		118,140		174,937

The notes on pages 11 to 29 form part of these financial statements.

Mereway Kitchens Limited

Notes forming part of the financial statements for the year ended 31 March 2014

1 Accounting policies

The financial statements have been prepared under the historical cost convention and are in accordance with applicable accounting standards.

The following principal accounting policies have been applied:

Basis of consolidation

The consolidated financial statements incorporate the results of Mereway Kitchens Limited and all of its subsidiary undertakings as at 31 March 2014 using the acquisition method of accounting. The results of the subsidiary undertakings are included from the date of acquisition. No profit and loss account is prepared for Mereway Kitchens Limited as permitted by Section 408 of the Companies Act 2006.

Going concern

The group's business activities together with factors likely to affect its future development, performance and position are set out in the Review of Business on page 1 and 2. It also describes how the group manages its capital, and the principal risks and uncertainties facing the group and its exposure to credit and liquidity risk.

The group meets its day to day working capital requirements through an overdraft facility of £100,000, which is subject to periodic review, and a rolling invoice discounting facility. The current economic conditions create uncertainty over the level of demand for the group's products, the exchange rates between Sterling and Euro and thus the consequences for the cost of the group's raw materials, and the availability of bank finance in the foreseeable future.

The group's forecasts and projections for the period to 31 March 2016, show that the group should be able to operate within the level of its current facilities. No matters have been brought to the directors' attention to suggest facilities will not continue to be made available to the group for the foreseeable future.

The directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. They therefore continue to adopt the going concern basis of accounting in preparing the financial statements.

Revenue Recognition

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on despatch of goods. Revenue in respect of rental income represents amounts receivable in the period for the property rented.

Goodwill and intangible assets

Goodwill arising on an acquisition of a trade or subsidiary undertaking is the difference between the fair value of the consideration paid and the fair value of the assets and liabilities acquired. Positive goodwill is capitalised and amortised through the profit and loss account over the directors' estimate of its useful economic life of 10 years. Impairment tests on the carrying value of goodwill are undertaken:

- at the end of the first full financial year following acquisition;
- in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

Intangible assets acquired separately from a business are capitalised at cost and are amortised on a straight line basis over their estimated useful lives up to a maximum of 10 years.

Patents are recognised at cost and amortised over their estimated useful economic life of 3 years following the year of acquisition.

Mereway Kitchens Limited

Notes forming part of the financial statements for the year ended 31 March 2014 (*continued*)

1 Accounting policies (*continued*)

Depreciation

Depreciation is provided to write off the cost, less estimated residual values, of all tangible fixed assets evenly over their expected useful lives. It is calculated at the following rates:

Leasehold property	- Amortised over the length of the lease for short leasehold or 2% per annum for long leasehold
Plant and machinery	- 10% to 15% per annum on a straight line basis
Motor vehicles	- 25% per annum on a straight line basis
Office equipment	- 33% per annum on a straight line basis
Tooling	- 33% per annum on a straight line basis
Showroom displays	- The kitchen display units are included within tangible fixed assets as such assets are typically held for 3-7 years. The directors consider their inclusion in fixed assets to present fairly their economic use.

Assets under construction will commence depreciation when the assets have been brought into use.

The carrying value of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Stocks

Stocks are valued at the lower of cost and net realisable value. Cost includes all costs incurred in bringing each product to its present location and condition. For raw materials and goods for resale, cost is based on the cost of purchase on a first in, first out basis. For work in progress and finished goods, cost is based on the cost of direct materials and labour plus attributable overheads based on a normal level of activity. Net realisable value is based on estimated selling price less additional costs to completion and disposal.

Foreign currency

Translations in foreign currencies are recorded at the rates ruling when they occurred. Foreign currency monetary assets and liabilities are translated at the rates ruling at the balance sheet date. Any differences are taken to the profit and loss account.

Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

Research and development

Expenditure on pure and applied research is charged to the profit and loss account in the year in which it is incurred.

Development costs are also charged to the profit and loss account in the year of expenditure.

Deferred taxation

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except that the recognition of deferred tax assets is limited to the extent that the group anticipates making sufficient taxable profits in the future to absorb the reversal of the underlying timing differences.

Mereway Kitchens Limited

Notes forming part of the financial statements for the year ended 31 March 2014 (*continued*)

1 Accounting policies (*continued*)

Deferred taxation (continued)

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.

Leased assets

Where assets are financed by leasing agreements that give rights approximating to ownership (finance leases), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable over the term of the lease. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to the profit and loss account over the shorter of estimated useful economic life and the period of the lease.

Lease payments are analysed between capital and interest components so that the interest element of the payment is charged to the profit and loss account over the period of the lease and is calculated so that it represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts payable to the lessor.

All other leases are treated as operating leases. Their annual rentals are charged to the profit and loss account on a straight-line basis over the term of the lease.

Benefits received in relation to short leasehold property are capitalised and released on a straight line basis over the period to the first rental review for that property.

Pension costs

Contributions to the group's defined contribution pension scheme are charged to the profit and loss account in the year in which they become payable.

Onerous leases

Where the unavoidable costs of a lease exceed the economic benefit expected to be received from it, a provision is made for the present value of the obligation under the lease.

2 Exceptional item

	2014 £	2013 £
Reorganisation costs	-	52,212

3 Turnover

Turnover, which is stated net of value added tax, represents amounts invoiced to third parties. Turnover is attributable to continuing activities, the manufacture and sale of furniture components, and rental income. All turnover arose in the United Kingdom.

Mereway Kitchens Limited

Notes forming part of the financial statements
for the year ended 31 March 2014 (continued)

4 Group operating profit/(loss)

	2014 £	2013 £
This is arrived at after charging/(crediting):		
Amortisation of positive goodwill	-	45,920
Amortisation of other intangible fixed assets	405	407
Hire of plant and machinery - operating leases	19,367	49,493
Hire of other assets - operating leases	1,010,958	1,222,155
Fees payable to the company's auditor for the audit in respect of the group	3,500	5,150
Fees payable to the company's auditor for the audit in respect of the parent company	16,750	15,750
Fees payable to the company's auditors for taxation services	9,000	16,935
Fees payable to the company's auditors for other non audit services	-	15,425
Research and development charge	181,417	272,679
Depreciation of owned assets	235,570	425,921
Depreciation of assets held under finance lease and hire purchase contracts	176,227	126,140
Exchange differences	(15,703)	(19,653)

5 Employees

Staff costs (including directors) consist of:

	Group 2014 £	Group 2013 £
Wages and salaries	4,452,644	4,876,179
Social security costs	451,092	471,179
Other pension costs	81,209	85,309
	<u>4,984,945</u>	<u>5,432,667</u>

The average number of employees (including directors) during the year was as follows:

	Group 2014 Number	Group 2013 Number
Production	152	157
Selling	17	24
Administration	39	36
	<u>208</u>	<u>217</u>

Mereway Kitchens Limited

Notes forming part of the financial statements for the year ended 31 March 2014 (continued)

6 Directors' remuneration

	2014 £	2013 £
Directors' emoluments	569,782	584,386
Company contributions to money purchase pension schemes	12,413	13,543

There were 5 directors in the group's defined contribution pension scheme during the year (2013 - 5).

The total amount payable to the highest paid director in respect of emoluments was £128,694 (2013 - £125,944). Company pension contributions of £2,475 (2013 - £2,475) were made to a money purchase scheme on their behalf.

Included in the emoluments above are amounts for compensation for loss of office of £NIL (2013 - £30,000)

7 Interest payable and similar charges

	2014 £	2013 £
Bank loans and overdrafts	17,526	28,654
Charges payable under finance leases and hire purchase contracts	63,127	54,552
	<u>80,653</u>	<u>83,206</u>

8 Taxation on profit/(loss) on ordinary activities

	2014 £	2013 £
<i>UK Corporation tax</i>		
Current tax on profits of the year	3,453	-
Adjustment in respect of previous periods	-	(145,172)
<i>Deferred tax</i>		
Origination and reversal of timing differences	42,195	(69,301)
Adjustment in respect of previous periods	-	748
Effect of changes in tax rate	7,644	2,284
	<u>49,839</u>	<u>(66,269)</u>
Movement in deferred tax provision		
	<u>53,292</u>	<u>(211,441)</u>

Mereway Kitchens Limited

Notes forming part of the financial statements for the year ended 31 March 2014 (continued)

8 Taxation on profit/(loss) on ordinary activities (continued)

The tax assessed for the year is different to the standard rate of corporation tax in the UK applied to profit/(loss) before tax. The differences are explained below:

	2014 £	2013 £
Profit/(loss) on ordinary activities before tax	127,026	(275,164)
Profit/(loss) on ordinary activities at the standard rate of corporation tax in the UK of 23% (2013 - 24%)	29,216	(66,039)
Effect of:		
Expenses not deductible for tax purposes	85,622	35,110
Capital allowances for period in (excess)/deficit of depreciation	(19,897)	21,180
(Utilisation of tax losses)/losses carried forward	(90,970)	51,110
Adjustment to tax charge in respect of previous periods	-	(145,172)
Disposal of shares	-	(41,384)
Other short term timing differences	(518)	23
Current tax charge/(credit) for the year	3,453	(145,172)

The adjustment to tax charge in respect of the previous periods in the prior year includes £134,421 for research and development relief.

Factors affecting future tax charge

The 2014 budget confirmed that the UK corporation tax rate will reduce to 21% by 1 April 2014 and 20% to apply from 1 April 2015. This will reduce the corporation tax charge accordingly.

9 Dividends

	2014 £	2013 £
£1 Dividend in specie (2013 - £NIL)	1	-

On 1 April 2013 Mereway Kitchens Limited disposed of its investment in Trend Joinery Limited by way of a dividend in specie to its members.

10 Profit for the financial year

The company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own profit and loss account in these financial statements. The group profit for the year includes a profit after tax of £349,226 (2013 - £112,610) which is dealt with in the financial statements of the parent company.

Mereway Kitchens Limited

Notes forming part of the financial statements
for the year ended 31 March 2014 (*continued*)

11 Intangible fixed assets

Group

	Patents £	Goodwill on consolidation £	Total £
<i>Cost</i>			
At 1 April 2013	812	459,201	460,013
Disposal of subsidiary undertaking	-	(459,201)	(459,201)
	<hr/>	<hr/>	<hr/>
At 31 March 2014	812	-	812
	<hr/>	<hr/>	<hr/>
<i>Amortisation</i>			
At 1 April 2013	407	91,840	92,247
Provided for the year	405	-	405
Disposal of subsidiary undertaking	-	(91,840)	(91,840)
	<hr/>	<hr/>	<hr/>
At 31 March 2014	812	-	812
	<hr/>	<hr/>	<hr/>
<i>Net book value</i>			
At 31 March 2014	-	-	-
	<hr/>	<hr/>	<hr/>
At 31 March 2013	405	367,361	367,766
	<hr/>	<hr/>	<hr/>

Company

	Patents £
<i>Cost</i>	
At 1 April 2013 and 31 March 2014	812
	<hr/>
<i>Amortisation</i>	
At 1 April 2013	407
Provided for the year	405
	<hr/>
At 31 March 2014	812
	<hr/>
<i>Net book value</i>	
At 31 March 2014	-
	<hr/>
At 31 March 2013	405
	<hr/>

Patents are recognised at cost and amortised over their estimated useful life of 3 years following the year of acquisition. Goodwill arose on the acquisition of Trend Joinery Limited for which the group sold its investment in on 1 April 2013.

Mereway Kitchens Limited

Note forming part of the financial statements
for the year ended 31 March 2014 *(continued)*

12 Tangible fixed assets

Group

	Leasehold land and buildings £	Plant, tooling and machinery £	Motor vehicles £	Office equipment £	Showroom displays £	Total £
<i>Cost</i>						
At 1 April 2013	1,718,450	5,662,832	201,830	520,583	532,252	8,635,947
Additions	72,254	223,087	5,205	17,752	284	318,582
Disposals	(165,973)	(17,250)	-	-	(256,533)	(439,756)
Disposal of subsidiary	(3,609)	(73,643)	-	(1,296)	-	(78,548)
At 31 March 2014	<u>1,621,122</u>	<u>5,795,026</u>	<u>207,035</u>	<u>537,039</u>	<u>276,003</u>	<u>8,436,225</u>
<i>Depreciation</i>						
At 1 April 2013	1,204,851	4,855,476	188,101	472,588	500,450	7,221,466
Provided for the year	89,956	257,205	8,468	24,082	32,086	411,797
Disposals	(165,973)	(17,250)	-	-	(256,533)	(439,756)
Disposals of subsidiary	(1,510)	(37,027)	-	(705)	-	(39,242)
At 31 March 2014	<u>1,127,324</u>	<u>5,058,404</u>	<u>196,569</u>	<u>495,965</u>	<u>276,003</u>	<u>7,154,265</u>
<i>Net book value</i>						
At 31 March 2014	<u>493,798</u>	<u>736,622</u>	<u>10,466</u>	<u>41,074</u>	<u>-</u>	<u>1,281,960</u>
At 31 March 2013	<u>513,599</u>	<u>807,356</u>	<u>13,729</u>	<u>47,995</u>	<u>31,802</u>	<u>1,414,481</u>

Mereway Kitchens Limited

Notes forming part of the financial statements
for the year ended 31 March 2014 (continued)

12 Tangible fixed assets (continued)

Company

	Leasehold land and buildings £	Plant, tooling and machinery £	Motor vehicles £	Office equipment £	Total £
<i>Cost</i>					
At 1 April 2013	1,465,382	5,589,189	201,830	519,287	7,775,688
Additions	71,312	223,087	5,205	17,752	317,356
Disposals	-	(17,250)	-	-	(17,250)
At 31 March 2014	1,536,694	5,795,026	207,035	537,039	8,075,794
<i>Depreciation</i>					
At 1 April 2013	967,671	4,818,449	188,101	471,883	6,446,104
Provided for the year	80,000	257,205	8,468	24,082	369,755
Disposals	-	(17,250)	-	-	(17,250)
At 31 March 2014	1,047,671	5,058,404	196,569	495,965	6,798,609
<i>Net book value</i>					
At 31 March 2014	489,023	736,622	10,466	41,074	1,277,185
At 31 March 2013	497,711	770,740	13,729	47,404	1,329,584

The net book value of leasehold land and buildings may be further analysed as follows:

	Group 2014 £	Group 2013 £	Company 2014 £	Company 2013 £
Short leasehold	493,797	513,599	489,023	497,711

The net book value of tangible fixed assets includes an amount of £568,098 (2013 - £608,313) in respect of assets held under finance leases and hire purchase contracts. The related depreciation charge on these assets for the year was £176,227 (2013 - £126,140).

Mereway Kitchens Limited

Notes forming part of the financial statements
for the year ended 31 March 2014 (*continued*)

13 Fixed asset investments

Company

	Group undertakings £
<i>Cost</i>	
At 1 April 2013	2
Disposal of Trend Joinery Limited	(1)
	<hr/>
At 31 March 2014	<hr/> 1 <hr/>

At 31 March 2014 the company held 100% of the ordinary shares of Wentworth Kitchens Limited, a company registered in England and Wales and engaged in the sale of fitted furniture and associated products.

On 1 April 2013, the company sold its investment in Trend Joinery Limited (see note 9).

14 Stocks

	Group 2014 £	Group 2013 £	Company 2014 £	Company 2013 £
Raw materials and bought in components	2,096,787	2,080,459	2,096,787	2,071,050
Work in progress	250,650	197,285	250,650	185,362
Finished goods and goods for resale	110,174	112,576	110,174	110,576
	<hr/>	<hr/>	<hr/>	<hr/>
	2,457,611	2,390,320	2,457,611	2,366,988
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

There is no material difference between the replacement cost of stocks and the amounts stated above.

Mereway Kitchens Limited

Notes forming part of the financial statements
for the year ended 31 March 2014 (continued)

15 Debtors

	Group 2014 £	Group 2013 £	Company 2014 £	Company 2013 £
Amounts receivable within one year				
Trade debtors	1,338,834	1,547,389	1,335,243	1,302,681
Amounts owed by group undertakings	-	-	56,243	373,069
Amounts owed by associated undertakings	646,309	-	642,906	-
Director's loan accounts (Note 25)	-	3,192	-	3,192
Corporation tax recoverable	-	207,529	-	207,529
Other debtors	48,688	117,768	48,688	103,593
Prepayments and accrued income	532,837	528,883	505,853	465,952
Deferred taxation	10,670	121,802	670	33,628
	<u>2,577,338</u>	<u>2,526,563</u>	<u>2,589,603</u>	<u>2,489,644</u>
Amounts receivable after more than one year				
Amounts owed by group undertakings	-	-	420,000	400,000
	<u>-</u>	<u>-</u>	<u>420,000</u>	<u>400,000</u>
Total debtors	<u>2,577,338</u>	<u>2,526,563</u>	<u>3,009,603</u>	<u>2,889,644</u>
			Group Deferred taxation £	Company Deferred taxation £
At 1 April 2013			121,802	33,628
Charged to profit and loss account			(49,839)	(32,958)
Undertaking disposed			(61,293)	-
			<u>10,670</u>	<u>670</u>
At 31 March 2014			<u>10,670</u>	<u>670</u>
<i>Deferred taxation</i>				
	Group 2014 £	Group 2013 £	Company 2014 £	Company 2013 £
The amount of deferred tax provided for is as follows:				
Accelerated capital allowances	(38,721)	8,590	(48,721)	(35,004)
Other timing differences	2,848	3,361	2,848	3,275
Losses	46,543	109,851	46,543	65,357
	<u>10,670</u>	<u>121,802</u>	<u>670</u>	<u>33,628</u>

Mereway Kitchens Limited

Notes forming part of the financial statements for the year ended 31 March 2014 (continued)

15 Debtors (continued)

The group have unutilised tax losses of £72,000 (2013 - £345,000) which may be carried forward. These losses have not been recognised in full due to the uncertainty that they will be recovered in the future.

16 Creditors: amounts falling due within one year

	Group 2014 £	Group 2013 £	Company 2014 £	Company 2013 £
Bank financing loan and overdrafts (secured)	276,096	400,997	276,096	400,997
Trade creditors	2,494,999	2,449,309	2,492,957	2,172,622
Amounts owed to associated undertakings	-	38,100	-	38,100
Corporation tax	3,453	-	-	-
Other taxation and social security	593,527	708,967	590,614	669,823
Obligations under finance lease and hire purchase contracts (note 17)	217,348	224,502	217,348	224,502
Accruals and deferred income	131,887	170,600	124,796	161,306
	<u>3,717,310</u>	<u>3,992,475</u>	<u>3,701,811</u>	<u>3,667,350</u>

The bank overdraft is secured by a floating charge over the assets of the company.

The invoice discounting facility is secured over the trade debtors of the company.

17 Creditors: amounts falling due after more than one year

	Group 2014 £	Group 2013 £	Company 2014 £	Company 2013 £
Obligations under finance lease and hire purchase contracts	351,392	385,363	351,392	385,363
	<u>351,392</u>	<u>385,363</u>	<u>351,392</u>	<u>385,363</u>

Mereway Kitchens Limited

Notes forming part of the financial statements
for the year ended 31 March 2014 (*continued*)

17 Creditors: amounts falling due after more than one year (*continued*)

Group and company

Maturity of debt:

	Loans and overdrafts 2014 £	Loans and overdrafts 2013 £	Finance leases 2014 £	Finance leases 2013 £
In one year or less, or on demand	<u>276,096</u>	<u>400,997</u>	<u>217,348</u>	<u>224,502</u>
In more than one year but not more than two years	-	-	196,172	385,363
In more than two years but not more than five years	-	-	155,220	-
	<u>-</u>	<u>-</u>	<u>351,392</u>	<u>385,363</u>

18 Provisions for liabilities

Group

	Onerous lease provision £
At 1 April 2013	75,192
Utilised in year	<u>(28,678)</u>
At 31 March 2014	<u>46,514</u>

19 Pensions

The group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the group in an independently administered fund. The pension charge amounted to £81,209 (2013 - £85,309). Contributions amounting to £16,257 (2013 - £14,241) were payable to the fund as at the year end and are included in creditors.

Mereway Kitchens Limited

Notes forming part of the financial statements for the year ended 31 March 2014 (*continued*)

20 Share capital

	2014 £	2013 £
<i>Allotted, called up and fully paid</i>		
'B' ordinary shares of £1 each	24,293	24,293
'C' ordinary shares of £1 each	24,290	24,290
	<u>48,583</u>	<u>48,583</u>

Share Option Scheme

The company has two share option schemes under which options to subscribe for the Company's ordinary shares have been granted to certain executives.

At 31 March 2014, options under the second scheme (2008 scheme), introduced on 2 January 2008, were outstanding of 1,274 (2013 - 1,274) at £7.97 each.

At 31 March 2014, options under the third scheme (2009 scheme), introduced on 19 October 2009, were outstanding of 1,274 (2013 - 1,274) at £7.97 each.

During the year no options have been exercised.

The Ordinary Shares, 'B' ordinary shares and 'C' ordinary shares, all rank pari passu as if they were the same class of share.

Mereway Kitchens Limited

Notes forming part of the financial statements
for the year ended 31 March 2014 (*continued*)

21 Reserves

Group

	Share premium account £	Capital redemption reserve £	Profit and loss account £
At 1 April 2013	702,585	18,107	1,578,351
Profit for the year	-	-	73,734
Dividends	-	-	(1)
At 31 March 2014	<u>702,585</u>	<u>18,107</u>	<u>1,652,084</u>

Company

	Share premium account £	Capital redemption reserve £	Profit and loss account £
At 1 April 2013	702,585	18,107	1,790,953
Profit for the year	-	-	349,226
Dividends	-	-	(1)
At 31 March 2014	<u>702,585</u>	<u>18,107</u>	<u>2,140,178</u>

22 Reconciliation of movements in shareholders' funds

	Group 2014 £	Group 2013 £	Company 2014 £	Company 2013 £
Profit/(loss) for the year	73,734	(63,723)	349,226	112,610
Dividends	(1)	-	(1)	-
Transfers	<u>73,733</u>	<u>(63,723)</u>	<u>349,225</u>	<u>112,610</u> 2,565
Net additions to/(deductions from) shareholders' funds	<u>73,733</u>	<u>(63,723)</u>	<u>349,225</u>	<u>115,175</u>
Opening shareholders' funds	<u>2,347,626</u>	<u>2,411,349</u>	<u>2,560,228</u>	<u>2,445,053</u>
Closing shareholders' funds	<u>2,421,359</u>	<u>2,347,626</u>	<u>2,909,453</u>	<u>2,560,228</u>

Mereway Kitchens Limited

Notes forming part of the financial statements for the year ended 31 March 2014 (continued)

23 Contingent liabilities

During the year the group entered into a number of forward contracts, which commits the group to purchase Euros at predetermined rates throughout the year ended 31 March 2015. At the year end there are outstanding contracts of €325,000 (2013: €Nil).

24 Discontinued operations

On 1 April 2013 the group disposed of Trend Joinery Limited.

The loss on disposal of Trend Joinery Limited has been calculated as follows:

	£	£
Cash proceeds		-
Net assets disposed of:		
Intangible fixed assets	367,361	
Tangible fixed assets	39,306	
Stocks	23,332	
Debtors	330,882	
Cash	71,745	
Creditors	(682,748)	
		149,878
Loss on disposal		(149,878)

The net outflow of cash in respect of the sale of Trend Joinery Limited is as follows:

	£
Cash transferred on disposal	71,745
Net outflow of cash	(71,745)

During the prior year the company sold its investment in Easy Quote Software Systems Limited for a consideration of £742,435 realising a gain on disposal before tax of £172,435.

Mereway Kitchens Limited

Notes forming part of the financial statements
for the year ended 31 March 2014 (*continued*)

25 Commitments under operating leases

The group had annual commitments under non-cancellable operating leases as set out below:

	Land and buildings 2014 £	Other 2014 £	Land and buildings 2013 £	Other 2013 £
Operating leases which expire:				
Within one year	21,766	30,319	32,025	105,751
In two to five years	132,850	347,478	93,513	238,922
After five years	603,550	56,348	681,950	-
	<u>758,166</u>	<u>434,145</u>	<u>807,488</u>	<u>344,673</u>

The company had annual commitments under non-cancellable operating leases as set out below:

	Land and buildings 2014 £	Other 2014 £	Land and buildings 2013 £	Other 2013 £
Operating leases which expire:				
Within one year	-	30,319	-	105,751
In two to five years	50,000	347,478	-	238,922
After five years	603,550	56,348	653,550	-
	<u>653,550</u>	<u>434,145</u>	<u>653,550</u>	<u>344,673</u>

26 Related party disclosures

Loans outstanding with directors of the company:

	2014 £	2013 £
Related party		
LV Norris	-	65
SLG Norris	-	3,127

Mereway Kitchens Limited

Notes forming part of the financial statements for the year ended 31 March 2014 (continued)

26 Related party disclosures (continued)

Related party transactions and balances with companies under common control

Related party	Sales to related party £	Purchases from related parties £	Amounts owed by related parties £	Amounts owed to related parties £
2014				
Mereway Bathrooms Limited	629,308	-	171,608	-
Mereway Bedrooms Limited	585	-	87,825	-
Trend Joinery Limited	3,213,480	59,842	383,474	-
2013				
Mereway Bathrooms Limited	478,318	6,892	136,900	175,000

The company has taken advantage of the exemption conferred by Financial Reporting Standard 8 'Related party disclosures' not to disclose transactions with its wholly owned subsidiaries.

Mereway Bathrooms Limited, Mereway Bedrooms Limited and Trend Joinery Limited are companies under common control.

The company is controlled by its directors.

27 Reconciliation of operating profit/(loss) to net cash inflow from operating activities

	2014 £	2013 £
Operating profit/(loss)	357,557	(365,798)
Amortisation of intangible fixed assets	405	46,327
Depreciation of tangible fixed assets	411,797	552,061
Profit on sale of tangible fixed assets	(4,152)	(4,600)
Increase in stocks	(90,623)	(76,451)
(Increase)/decrease in debtors	(639,025)	186,687
Increase/(decrease) in creditors	536,185	(49,023)
(Decrease)/increase in provision	(28,678)	9,500
Net cash inflow from operating activities	543,466	298,703

Mereway Kitchens Limited

Notes forming part of the financial statements
for the year ended 31 March 2014 (*continued*)

28 Reconciliation of net cash flow to movement in net debt

	2014 £	2013 £
Increase in cash	118,140	174,937
Cash inflow from changes in debt	351,871	386,471
Movement in net debt resulting from cash flows	470,011	561,408
Inception of finance leases	(185,845)	(245,665)
Movement in net debt	284,166	315,743
Opening net debt	(909,336)	(1,225,079)
Closing net debt	(625,170)	(909,336)

29 Analysis of net debt

	At 1 April 2013 £	Cash flow £	Other non- cash items £	At 31 March 2014 £
Cash at bank and in hand	101,526	118,140	-	219,666
Debt due within one year	(400,997)	124,901	-	(276,096)
Finance leases	(609,865)	226,970	(185,845)	(568,740)
		351,871		
Total	(909,336)	470,011	(185,845)	(625,170)