

HAGS-SMP Limited (formerly S.M.P. (Playgrounds) Limited)

Directors' Report and Financial Statements

For the year ended 31 December 2012

THURSDAY



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COMPANIES HOUSE

HAGS- SMP Limited

Company information

Directors

S Lyon
S Sylvester
G Townsend
A Yates

Company secretary

A Coleman

Company number

00908021

Registered office

Clockhouse Nurseries
Clockhouse Lane East
Egham
Surrey
TW20 8PE

Independent auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Benson House
33 Wellington Street
Leeds
LS1 4JP

HAGS-SMP Limited

Contents

	Pages
Directors' report	2 - 4
Independent auditors' report to the members of HAGS-SMP Limited (formerly S M P (Playgrounds) Limited)	5 - 6
Profit and loss account	7
Statement of total recognised gains and losses	7
Balance sheet	8
Notes to the financial statements	9 - 19

HAGS-SMP Limited

Directors' Report

For the year ended 31 December 2012

The directors present their annual report and the audited financial statements of HAGS-SMP Limited (formerly S M P (Playgrounds) Limited) for the year ended 31 December 2012

Principal activities, review of business and future developments

The Company designs, manufactures, supplies, installs and maintains playground equipment to the public and private sectors, the majority of business in the UK being derived either directly or indirectly from Local Government Authorities. 2012 was another challenging year for the UK play market with double digit decline compared to the prior year caused primarily by continued pressure on public sector budgets. As one of the UK market leaders, the Company was not immune to the adverse market conditions and revenues reduced accordingly as we came under price pressure from the competition.

The Company will continue in 2013 to introduce new products to address the needs of the market, focusing on delivering high play value for all our customers whether they have high or low budgets available, to maintain our market standing and credibility. At the same time there will be increased levels of consolidation with other Group companies to improve operational effectiveness and reduce costs.

On 1 April 2012 the trade and most of the assets of Playpower UK Limited were transferred to the Company. On 1 January 2013, the Company acquired the trade and assets of Hagsplay Limited, a Playpower Group undertaking with a view to consolidate the UK business within the Company as part of a group restructuring. On 18 March 2013 SMP (Playgrounds) Limited formally changed its name to Hags SMP Limited.

Principal risks and uncertainties

The management of the business and the execution of the Company's strategy are subject to a number of risks. Risks are formally reviewed by the board and appropriate processes put in place to monitor and mitigate them. If more than one event occurs, it is possible that the overall effect of such events would compound the possible adverse effects on the Company.

The key business risks affecting the Company are set out below.

Competition

For the third year in a row, the UK market has contracted in 2012, resulting in aggressive pricing from competitors fighting for the available market. We expect the UK market to continue to contract in 2013 and so the Company will continue to invest in new product development, sales training and operational consolidation, by doing so we increase the desirability of our offerings and take a greater market share.

Employees

The Company's performance depends largely on its management, area sales managers and support staff at the various offices. The resignation of key individuals and the inability to recruit people with the right experience and skills from the local community could adversely impact the Company's results. We maintain close relations with a number of recruitment firms in the sector such that we have an available candidate pool to choose from. In addition we carry out regular employee reviews to understand our employee morale and expectations, and our managers escalate any key issues to the board for consideration.

Political

With the majority of the UK revenue coming from the public sector, the availability of funds can be linked to political lobbying and significant events (local and general elections).

While some lobbying can have certain local effects we are generally aware of major political events on an annual basis and budget for changes in our revenue streams accordingly.

The shift in emphasis in UK government from central funding and control to local provides challenges but these can largely be overcome by continued closeness to our local customers. In this respect the long term tenure and experience of our sales force is critical, however we anticipate some turnover of staff as some may not possess the skills needed for the current and future market conditions. All sales team skills will continue to be assessed and further training is planned for 2013.

HAGS-SMP Limited

Directors' Report (continued) For the year ended 31 December 2012

Supply chain

Given the Company's focus on manufacturing excellence, the Company is exposed to potential supply chain disruptions due to delays/losses of inventory in transit. In addition, the Company is exposed to its reliance on smaller enterprises particularly in Eastern Europe. The Company mitigates this risk through effective supplier selection and procurement practices supplemented by appropriate insurance coverage.

Results and dividends

The Company's loss after tax for the financial year is £90,870 (2011 Profit £784,831) which has been transferred to reserves. The directors do not recommend the payment of a dividend in 2012 (2011 £nil).

Directors

The directors who served during the year and up to the date of signing these financial statements were

S Lyon

S Sylvester

G Townsend

A Yates

Qualifying Third Party Indemnity Provisions

The Company maintains liability insurance for its directors and officers. The Company has also provided an indemnity for its directors and the secretary, which is a qualifying third party indemnity provision for the purposes of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force.

Donations

During the year the Company made charitable donations of £100 (2011 £525).

Financial risk management

The Company's operations expose it to a variety of financial risks that include the effects of changes in price risk, credit risk, liquidity risk and currency risk. The Company has in place a risk management programme that seeks to minimise the effects of the above.

Given the size of the Company, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board. The policies set by the board are implemented by the Company's finance department.

Price risk

The Company is exposed to commodity price risk as a result of its operations. However, given the size of the Company's operations, the cost of managing exposure to product price risk is considered to exceed any potential benefits. The directors will revisit the appropriateness of this policy should the Company's operations change in size or nature. The Company has no exposure to equity securities price risk as it holds no listed or other equity investments.

Credit risk

The Company has implemented policies that require appropriate credit checks on potential customers before sales are made.

Liquidity risk

The Company is exposed to liquidity risk, as most of the customers are government funded and can take longer than normal to pay. However, this is mitigated by favourable credit terms on supplies from its suppliers.

Currency risk

The Company has some exposure to currency risk as some of its purchase transactions are made in Euros. However, this is mitigated by favourable credit terms, competitive prices offered on supplies from the suppliers and sales to EU customers in euros.

HAGS-SMP Limited

Directors' Report (continued) For the year ended 31 December 2012

Statement of directors' responsibilities

The directors are responsible for preparing 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 prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- 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.

Disclosure of information to auditors

Each of the persons who is a director at the date of approval of this report confirms that

(1) so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and

(2) the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

PricewaterhouseCoopers LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

This report was approved by the board on and signed on 22 August 2013 its behalf



S Lyon
Director

HAGS-SMP Limited

Independent auditors' report to members of HAGS-SMP Limited (formerly S M P. (Playgrounds) Limited)

We have audited the financial statements of HAGS-SMP Limited (Formerly S M P (Playgrounds) Limited) for the year ended 31 December 2012 which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 4 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, 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.

Scope of the audit of the financial statements

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. In addition, we read all the financial and non-financial information in the Directors' Report and financial statements to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2012 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

HAGS-SMP Limited

Independent auditors' report to members of HAGS-SMP Limited (formerly S M P (Playgrounds) Limited) (continued)

Matters on which we are required to report by exception

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

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



Tom Yeates (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Leeds
22 August 2013

HAGS-SMP Limited

Profit and loss account For the year ended 31 December 2012

		Financial year ended 2012 £	Financial year ended 2011 £
Turnover	2	13,099,878	12,943,024
Cost of sales		9,897,728	(9,436,359)
Gross profit		3,202,150	3,506,665
Distribution costs		(2,582,540)	(2,200,468)
Administrative expenses		(259,346)	(263,092)
Operating profit	3	360,264	1,043,105
Reorganisation Costs		(506,088)	-
Interest receivable and similar income	6	7,000	34,103
(Loss)/Profit on ordinary activities before taxation		(138,824)	1,077,208
Tax on (loss)/profit on ordinary activities	7	47,954	(292,377)
(Loss)/profit for the financial year		(90,870)	784,831

All amounts relate to continuing operations

There is no material difference between the profit on ordinary activities before taxation and the profit for the financial year stated above and their historical cost equivalents

Statement of total recognised gains and losses For the year ended 31 December 2012

		Financial year ended 2012 £	Financial year ended 2011 £
Loss/profit for the financial year		(90,870)	784,831
Actuarial losses recognised in the pension scheme	16	(1,038,000)	(525,000)
Movement on deferred tax on losses and other deductions	12	226,970	126,000
Total recognised gains and losses relating to the year		(901,900)	385,831

HAGS-SMP Limited

Balance sheet As at 31 December 2012

	Note	2012 £	£	2011 £	£
Fixed assets					
Tangible fixed assets	8		938,847		109,477
Current assets					
Stocks	9	1,659,289		-	
Debtors	10	2,859,854		4,816,743	
Cash at bank and in hand		356,696		351,198	
		<u>4,875,839</u>		<u>5,167,941</u>	
Creditors amounts falling due within one year	11	<u>(2,495,639)</u>		<u>(1,812,061)</u>	
Net current assets			2,380,200		3,355,880
Total assets less current liabilities			3,319,047		3,465,357
Creditors amounts falling due after more than one year			-		-
Net assets excluding pension deficit			<u>3,319,047</u>		<u>3,465,357</u>
Pension deficit	16	(1,650,110)		(894,520)	
Net assets including pension deficit			<u>1,668,937</u>		<u>2,570,837</u>
Capital and reserves					
Called up share capital	17		100,000		100,000
Profit and loss account	18		1,568,937		2,470,837
Total equity shareholders' funds	19		<u>1,668,937</u>		<u>2,570,837</u>

The financial statements on pages 7 to 19 were approved by the board on 22 August 2013 and signed on its behalf



S Lyon
Director

Company registration number 00908021

HAGS-SMP Limited

Notes to the financial statements For the year ended 31 December 2012

1. Accounting policies

1.1 Basis of preparation of financial statements

These financial statements are prepared on the going concern basis, under the historical cost convention, and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. The principal accounting policies, which have been applied consistently throughout the year, are set out below.

1.2 Cash flow statement

The Company has taken advantage of the exemption under the terms of Financial Reporting Standard 1 'Cash Flow statement' (revised 1996) from including a cash flow statement in the financial statements on the grounds that the Company is wholly owned and its parent published a consolidated cash flow statement.

1.3 Turnover

The turnover shown in the profit and loss account represents amounts invoiced during the year, exclusive of value added tax, rebates and discounts.

The Company derives its revenue from the sale and installation of playground equipment. The Company recognises revenue relating to the supply only of playground equipment at the time of shipment and when accepted by the customer. The Company recognises revenue relating to the supply and installation of equipment when installation is complete and accepted by the customer.

Income that has been invoiced but not recognised as revenue is reported on the balance sheet under deferred income.

1.4 Tangible fixed assets and depreciation

Tangible fixed assets are stated at historic purchase cost less accumulated depreciation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Depreciation is calculated to write off the cost of tangible fixed assets, less their residual values, over their expected useful lives using the straight line and reducing balance basis. The expected useful economic lives of the assets to the business are reassessed periodically in the light of experience. Assets are depreciated once economic benefit is derived from them.

Annual rates of depreciation most widely used are:

Plant & Machinery	-	5-15 years	straight line
Fixtures & Fittings	-	3-5 years	straight line
Leasehold Additions	-	5 yrs	straight line

1.5 Stocks and work in progress

Stock is valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items. Cost is determined using the first-in, first-out (FIFO) method. The cost of finished goods and work in progress comprises design costs, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). Net realisable value is the price at which stocks can be sold in the normal course of business after allowing for the costs of realisation.

Work in progress is valued on the basis of direct cost plus attributable manufacturing overheads based on normal levels of activity. Provision is made for any foreseeable losses where appropriate.

1.6 Trade debtors

Trade debtors are recognised at amortised cost less provision for doubtful debts. A provision for doubtful debts is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the debt. Increases or decreases to the doubtful debt provision are recognised through the profit and loss account. When a debtor is

HAGS-SMP Limited

Notes to the financial statements For the year ended 31 December 2012

uncollectible, the debtor is written off in the balance sheet, and the corresponding cost of bad debt is charged to the profit and loss account

1 7 Trade creditors

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers and are recognised at amortised cost. Trade creditors are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

1 8 Pensions

The Company operates a defined benefit pension scheme for its employees. The assets of the scheme are held separately from those of the Company. The scheme was closed to future entrants on 31 March 2005.

Pension scheme assets are measured using market value. Pension scheme liabilities are measured using the projected unit actuarial method and are discounted at the current rate of return on a high quality corporate bond of equivalent terms and currency to the liability. The increase in the present value of the liabilities of the Company's defined benefit pension schemes expected to arise from employee service in the period is charged to operating profit. The expected return on the scheme's assets and the increase during the year in the present value of the scheme's liabilities arising from the passage of time are included in other finance income. Actuarial gains and losses are recognised in the statement of total recognised gains and losses. Pension schemes' surpluses, to the extent that they are considered recoverable, or deficits are recognised in full and presented on the face of the balance sheet net of the related deferred tax.

The amount charged to the profit and loss account in respect of employees' personal money purchase pension schemes is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments on the balance sheet.

1 9 Taxation

Current tax, including UK corporation tax and foreign tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

A net deferred tax asset is recognised as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted. Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on an undiscounted basis.

1.10 Foreign currencies

Monetary assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling on the date of the transaction. Exchange differences are taken to the profit and loss account.

1.11 Leases

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term.

HAGS-SMP Limited

Notes to the financial statements For the year ended 31 December 2012

2. Turnover

The turnover and profit and loss before tax are attributable to the one principal activity of the Company
An analysis of turnover by geographical destination is given below

	Financial year ended 2012 £	Financial year ended 2011 £
United Kingdom	9,876,000	11,211,236
Overseas	3,223,878	1,731,788
	<u>13,099,878</u>	<u>12,943,024</u>

3 Operating profit

The operating profit is stated after charging/(crediting)

	Financial year ended 2012 £	Financial year ended 2011 £
Depreciation of tangible fixed assets	176,406	71,490
Profit on disposal of tangible fixed assets	-	(134)
Operating lease charges		
Land and buildings	189,184	255,000
Other assets	109,634	77,096
Services provided by the company's auditor		
Fees payable for the audit	14,400	20,100
Foreign exchange (gain) / loss arising from operating activities	<u>(26,945)</u>	<u>21,499</u>

4 Directors' emoluments

The directors' aggregate emoluments in respect of qualifying services for the year were as follows,

	Financial year ended 2012 £	Financial year ended 2011 £
Aggregate emoluments	277,996	271,477
Pension contributions	18,837	18,300
	<u>296,833</u>	<u>289,777</u>
Highest paid director		
Aggregate emoluments	<u>126,509</u>	<u>124,885</u>
Pension benefits under money purchase pension schemes		
Pension contribution	<u>6,542</u>	<u>6,450</u>

The number of directors who accrued benefits under company pension schemes was as follows,

	Financial year ended 2012	Financial year ended 2011
Money purchase schemes	<u>3</u>	<u>3</u>

The aggregate Company contribution to money purchase pension schemes in respect of directors'

HAGS-SMP Limited

qualifying services was £18,837 (2011 £18,300)

Notes to the financial statements For the year ended 31 December 2012

5 Staff costs

The monthly average number of staff employed by the Company (including directors) during the financial year amounted to

	Financial year ended 2012	Financial year ended 2011
By activity	Number	Number
Administration	7	4
Selling and distribution	92	33
	<u>99</u>	<u>37</u>

The aggregate payroll costs of the above were as follows

	Financial year ended 2012	Financial year ended 2011
	£	£
Wages and salaries	2,646,706	1,316,703
Social security costs	251,323	147,774
Other pension costs	181,937	66,768
	<u>3,079,966</u>	<u>1,531,245</u>

6 Interest receivable and similar income

	Financial year ended 2012	Financial year ended 2011
	£	£
Bank interest receivable	-	103
Finance income on pension scheme	7,000	34,000
	<u>7,000</u>	<u>34,103</u>

HAGS-SMP Limited

Notes to the financial statements For the year ended 31 December 2012

7. Taxation on (loss)/profit on ordinary activities

	Financial year ended 2012	Financial year ended 2011
a) Analysis of tax charge in year	£	£
UK corporation tax on profits for the period	-	-
Adjustments in respect of prior periods	(8,471)	-
Amounts in respect of group relief	-	307,135
Total current tax	(8,471)	307,135
Deferred tax		
Origination and reversal of timing differences	(42,774)	(35,971)
Effect of tax rate change on opening balance	3,561	21,213
Total deferred tax (note 12)	(39,213)	(14,758)
Tax (credit)/charge on profit on ordinary activities	(47,954)	292,377

b) Factors affecting tax charge for year

The tax assessed for the year is higher (2011 higher) than the standard rate of corporation tax in the United Kingdom of 24.5% (2011 26.5%). The differences are explained below

	Financial year ended 2012	Financial year ended 2011
	£	£
(Loss)/Profit on ordinary activities before tax	(138,824)	1,077,208
Profit on ordinary activities multiplied by standard companies rate of corporation tax in the UK of 24.5% (2011 26.5%)	(34,008)	285,460
Effects of		
Expenses not deductible for tax purposes	586	(8,280)
Accelerated capital allowances and other timing differences	(21,246)	(18,945)
Adjustment in respect of prior periods	(8,959)	-
Short term timing differences	(19,732)	2,269
Group Relief Surrendered before Payment	-	(298,294)
Payment for Group Relief	-	307,135
Unrelieved tax losses	75,572	-
Current tax (credit)/charge for year	(8,959)	307,135

On 21 March 2012 it was announced in the 2012 UK Budget that the main rate of corporation tax from 1 April 2012 would be 24% with a further 1% reduction to the main rate of corporation tax to 23% from 1 April 2013. These rates have been applied above. On 21 March 2013, it was announced in the 2013 UK Budget that the main rate of corporation tax will be 21% from 1 April 2014 and 20% from 1 April 2015. Neither of these rates were substantively enacted at the balance sheet date and, therefore, are not included within these financial statements. The effect of the proposed changes is not material.

HAGS-SMP Limited

Notes to the financial statements For the year ended 31 December 2012

8 Tangible fixed assets

	Leasehold Improvements	Plant and Machinery	Fixtures and fittings	Motor Vehicles	Total
	£	£	£	£	£
Cost					
At 1 January 2012	-	3,800	574,028	-	577,828
Additions	100,000	37,182	158,675	-	295,857
Group Transfers	-	1,471,979	564,150	18,131	2,054,260
Disposals	-	-	-	(18,131)	(18,131)
At 31 December 2012	100,000	1,512,961	1,296,853	-	2,909,814
Accumulated depreciation					
At 1 January 2012	-	945	467,406	-	468,351
Charge for the year	-	85,039	91,367	-	176,406
Group Transfers	-	834,105	492,104	18,131	1,344,340
Disposals	-	-	-	(18,131)	(18,131)
At 31 December 2012	-	920,089	1,050,877	-	1,970,967
Net book value					
At 31 December 2012	100,000	592,872	245,976	-	938,847
At 31 December 2011	-	2,855	106,622	-	109,477

9 Stocks

	Financial year ended 2012	Financial year ended 2011
	£	£
Raw materials	163,265	-
Work in Progress	745,629	-
Finished Goods	750,395	-
	1,659,289	-

10 Debtors

	Financial year ended 2012	Financial year ended 2011
	£	£
Trade debtors	1,947,993	2,724,385
Amounts owed by group undertakings	385,252	1,810,001
Other debtors	43,006	-
Prepayments and accrued income	342,363	196,890
Deferred tax asset (note 12)	141,210	85,467
	2,859,854	4,816,743

The deferred tax asset above excludes the deferred tax asset of £492,890 (2011 £282,480) related to the pension deficit (note 16)

The amounts owed by group undertakings are unsecured, have no fixed repayment terms and interest free

HAGS-SMP Limited

Notes to the financial statements For the year ended 31 December 2012

11 Creditors amounts falling due within one year

	Financial year ended 2012	Financial year ended 2011
	£	£
Trade creditors	830,504	649,202
Amounts owed to Group undertakings	932,137	-
Group relief	31,307	307,313
Other Creditors	178	-
Taxation and social security costs	64,357	37,220
Accruals and deferred income	637,155	818,327
	2,495,639	1,812,062

12 Deferred taxation

The movement in the deferred taxation asset during the year was

	Financial year ended 2012	Financial year ended 2011
	£	£
At the beginning of the year	367,947	227,189
Deferred tax credited in the profit and loss account (Note 7)	39,213	14,758
Deferred tax credited in the statement of total recognised gains and losses	226,970	126,000
At the end of the year	634,130	367,947

The directors consider that it is more likely than not that there will be sufficient taxable profits in the future such as to realise the deferred tax asset, and therefore the asset has been recognised in these financial statements

The key components of the deferred tax asset are £33,892 (2011 £85,467) for fixed asset and short term differences, £107,348 (2011 £nil) for unutilised trading losses carried forward and £492,890 (2011 £282,480) for pension timing differences (note 16)

13. Commitments under operating leases

At 31 December 2012 the Company had annual commitments under non-cancellable operating leases as set out below

	31 December 2012		31 December 2011	
	Land and buildings £	Other £	Land and buildings £	Other £
On operating leases which expire				
Within one year	-	15,081	170,000	52,596
Within two to five years	96,000	102,946	-	20,976
After five years	90,000	548	-	-
As at 31 December	186,000	118,575	170,000	73,572

HAGS-SMP Limited

Notes to the financial statements For the year ended 31 December 2012

14 Contingencies

The Company together with all other group companies has given an unlimited multilateral guarantee in respect of the net bank borrowing of the group companies. Total net borrowings at 31 December 2012 amounted to £nil (2011: £nil). In the opinion of the directors, no liability is expected to arise as a result of this guarantee.

15 Related party transactions

The Company has taken advantage of the exemption in Financial Reporting Standard 8 'Related Party Disclosures' from the requirement to disclose transactions with group companies on the grounds that consolidated financial statements are prepared by the ultimate parent company.

16 Pensions

The Company operates the S M P Playgrounds Pension Scheme. This is an administered scheme which provides benefit based on the final pensionable pay of certain employees of the Company. The assets of the scheme are held separately from those of the Company. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of the pension over the employees' working lives with the Company. The contributions are determined by a qualified actuary on the basis of terminal valuations using the attained age method. The most recent valuation was undertaken at 5 April 2012 and has been adjusted to 31 December 2012 to allow for FRS 17 financial assumptions. The scheme closed to new entrants on 31 March 2005. The valuation at 5 April 2012 took in to account the merged position of the previously separate SMP Playgrounds Scheme and Record Playground Scheme as a result of SMP Playgrounds acquiring the trade and assets of Record RSS Ltd the sponsoring employer of the Record Playground Scheme on 1 April 2012 as part of a group restructuring. The company has now agreed a recovery plan with the trustees of additional contributions of £79,000 per annum from 5 April 2013.

The value of the scheme liabilities has been determined by qualified actuaries based on the results of an actuarial valuation as at 31 December using the following assumptions:

	2012	2011
	%	%
Rate of increase in salaries	n/a	n/a
Rate of increase in pension payment	3.0	3.0
Rate of increase in deferred pensions	2.9	2.9
Discount rate	4.5	4.7
Inflation assumption	3.0	3.0
The mortality assumptions used were as follows		

	2012	2011
	Years	Years
Longevity at age 65 for current pensioners		
- Men	21.5	21.4
- Women	24.1	24.0

HAGS-SMP Limited

Notes to the financial statements For the year ended 31 December 2012

16 Pensions (continued)

The assets and liabilities of the scheme and the expected rate of return at 31 December were

	2012		2011	
	Long term rate of return expected	Value	Long term rate of return expected	Value
	%	£	%	£
Equities	7.0	2,831,190	7.0	3,188,520
Bonds	4.0	695,380	4.0	562,680
Cash	2.0	198,680	2.0	187,560
Property	7.0	248,350	7.5	140,670
Hedge funds	2.0	546,370	7.0	468,900
Other		447,030	2.0	140,670
Total fair value of scheme's assets		4,967,000		4,689,000
Present value of scheme liabilities		(7,110,000)		(5,866,000)
Deficit in the scheme		(2,143,000)		(1,177,000)
Related deferred tax asset		492,890		282,480
Net pension liabilities		(1,650,110)		(894,520)

Analysis of the amount (charged)/credited to other finance income

	2012	2011
	£	£
Expected return on pension assets	281,000	342,000
Interest on pension scheme liabilities	(274,000)	(308,000)
Net return	7,000	34,000

Analysis of the amount recognised in the statement of total recognised gains and losses

	2012	2011
	£	£
Actual gain/(loss) less expected return on pension scheme assets	24,000	(609,000)
Actuarial gains and losses arising on the scheme liabilities	(1,062,000)	84,000
Actuarial loss recognised in the statements of total recognised gains and losses	(1,038,000)	(525,000)

Movement in assets during the year

	£	£
Deficit in the scheme in the beginning of the period	(1,177,000)	(771,000)
Current service cost	(7,000)	(6,000)
Cash contribution	72,000	91,000
Other finance income	7,000	34,000
Actuarial loss	(1,038,000)	(525,000)
At the end of the period	(2,143,000)	(1,177,000)
Deferred tax effect	492,890	282,480
	1,650,110	(894,520)

HAGS-SMP Limited

Notes to the financial statements For the year ended 31 December 2012

16 Pensions (continued)

Reconciliation of present value of scheme assets	2012 £	2011 £
Fair value of assets at the beginning of the year	4,689,000	5,004,000
Expected return on assets	281,000	342,000
Miscellaneous income	-	19,000
Employer contributions	72,000	72,000
Benefits paid	(99,000)	(139,000)
Actuarial gain/(loss) on assets	24,000	(609,000)
Fair value of assets at the end of the year	<u>4,967,000</u>	<u>4,689,000</u>

Reconciliation of present value of scheme liabilities	2012 £	2011 £
Defined benefit obligation at the beginning of the year	5,866,000	5,775,000
Interest cost	274,000	308,000
Current service cost	7,000	6,000
Benefits paid	(99,000)	(139,000)
Actuarial loss/(gain) on defined benefit obligation	1,062,000	(84,000)
Defined benefit obligation at the end of the year	<u>7,110,000</u>	<u>5,866,000</u>

History of experience gains and losses

	2012 £	2011 £	2010 £	2009 £	2008 £
Difference between the expected and actual return/(loss) on scheme assets (£)	24,000	(609,000)	197,000	701,000	(1,467,000)
Percentage of the scheme assets (%)	0.4	(13)	3.94	15.3	(38.7)
Experience (losses)/gain on scheme liabilities (£)	1,062,000	84,000	(348,000)	(1,292,000)	683,000
Percentage of present value of the scheme liabilities (%)	14.9	1.4	(6.03)%	(24.4)	17.7
Total amount recognised in statement of total recognised gains and losses (£)	(1,038,000)	(525,000)	(151,000)	(591,000)	(784,000)
Percentage of present value of the scheme liabilities (%)	(14.6)	8.9	(2.61)%	(11.2)	(20.3)

The estimated contributions which the Company expects to be paid into the scheme in 2013 are £72,000 (2012 £72,000)

HAGS-SMP Limited

Notes to the financial statements For the year ended 31 December 2012

17 Called up share capital

	Financial year ended 2012 £	Financial year ended 2011 £
Authorised share capital		
10,000,000 ordinary shares of £0 10 each	<u>1,000,000</u>	<u>1,000,000</u>
Allotted and fully paid		
1,000,000 ordinary shares of £0 10 each	<u>100,000</u>	<u>100,000</u>

18 Profit and Loss Account

	£
At 1 January 2012	2,470,837
Loss for the financial year	(90,870)
Actuarial loss in the pension scheme	(1,038,000)
Movement on deferred tax on actuarial losses	226,970
At 31 December 2012	<u>1,568,937</u>

19 Reconciliation of movement in shareholders' funds

	2012 £	2011 £
Opening shareholders' funds	2,570,837	2,185,006
Total recognised (losses)/gains in the year	<u>(901,900)</u>	<u>385,831</u>
Closing shareholders' funds	<u>1,668,937</u>	<u>2,570,837</u>

20 Immediate and ultimate parent undertakings

The immediate holding company is Hags Play AB, incorporated in the Sweden, which is also the smallest group of undertakings to consolidate these financial statements at 31 December 2012. Copies of these accounts can be obtained from Hags Play AB at Box 133, Grannavagen, 7SE-578 23, Aneby, Sweden.

The ultimate parent undertaking and controlling party is Apollo Investment Corporation, 9 West 57th Street, New York NY 10019. The largest group of undertakings to consolidate these financial statements at 31 December 2012 is Playpower Holdings Inc, copies of these accounts can be obtained from 13620 Estate Reese Blvd, Suite 3000 Huntersville, NC 28078.

21. Post Balance Sheet Events

On 1 January 2013, the company acquired the trade of Hags Play Limited, a group undertaking with a view to consolidate the UK business within the company as part of a group restructuring.