Company Registration Number: 00908021

HAGS-SMP Limited

Annual Report and Financial Statements

For the year ended 31 December 2016

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HAGS-SMP Limited

Company information

Directors	S Lyon A Yates M Grace
Company secretary	A Coleman
Company number	00908021
Registered office	Clockhouse Nurseries Clockhouse Lane East Egham Surrey TW20 8PG
Independent auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors Central Square 29 Wellington Street Leeds LS1 4DL

HAGS-SMP Limited

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Strategic Report
For the year ended 31 December 2016

The directors present their strategic report on HAGS-SMP Limited for the year ended 31 December 2016.

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 and education establishments.

Despite a 10% decline in the UK play market (Source: API), we have seen an increase by 130 basis points on our own market share during 2016. During this time the business was realigned to achieve significant growth over the coming years through Sales & Marketing Segmentation; Bid Management and Service Delivery.

Phase two of the Sales & Marketing segmentation plan has been implemented and sector specific sales teams are fully established to support further penetration into traditional park & recreation markets and also to unlock the potential of new markets.

The Bid Management team has been restructured to ensure that our tender material delivers an improved creative experience and in turn this will lead to higher conversion rates, loyalty, and word of mouth marketing.

The Company will continue to innovate and lead the industry with both our product and service offerings. Investment in the next generation of customer experience will help us combine cutting edge technologies with employee skill, experience and robust communication to ensure we provide a customer journey that is magical, surprising and radically simple.

The company will continue to attract & retain the best people by developing its human resource processes, and will, in the current economic climate, continue to reach for new heights. The top line revenue will continue to be boosted through the introduction of new products and improved services, whilst the profitability will continue to grow with an increasing companywide focus on building world class operations.

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

In challenging market conditions, we have again seen that some of our competitors have either ceased trading or have been acquired by others; in either case this continues to present an opportunity for us to replace the incumbent supplier. We expect the market to be flat in 2017 resulting in continued aggressive pricing from competitors fighting for the available market. Government initiatives such as the 'Active Nation' strategy could see the public sector grow in the second half of the year and offset any further austerity measures.

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 environment

The majority of the UK revenue is derived from the public sector so the availability of funds can be linked to political influences and significant events (local and general elections). Despite the austerity measures of the current government since 2010, the UK play market has been fairly resilient to cuts, even showing market growth in the past two years, so we remain optimistic about the future.

Strategic Report (continued)
For the year ended 31 December 2016

Supply chain
The company has historically been exposed to supply chain disruption due to delays / losses of inventory in transit. To mitigate these risks the European manufacturing is being transferred to a dedicated purpose built facility in eastern Europe.

On behalf of the board.

M Grace
Director
23 June 2017

Directors' Report
For the year ended 31 December 2016

The directors present their annual report and the audited financial statements of HAGS-SMP Limited for the year ended 31 December 2016.

Results and dividends
The Company's profit for the financial year is £1,251,161 (2015: £972,030) which has been transferred to reserves. The directors do not recommend the payment of a dividend in 2016 (2015: £nil).

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

S Lyon
A Yates
M Grace

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.

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.

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 sales to EU customers in euros.

Directors' Report (continued)
For the year ended 31 December 2016

Statement of directors' responsibilities

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 prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 102 The Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102).

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, including FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Provision of information to auditors

Each of the persons who are directors at the time when this directors' report is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any information needed by the company's auditors in connection with preparing their report and to establish that the company's auditors are aware of that information.

Independent auditors

The auditor, PricewaterhouseCoopers LLP, will be proposed for reappointment in accordance with section 487 of the Companies Act 2006.

By order of the board

M Grace
Director
23 June 2017

HAGS-SMP Limited

Independent auditors' report to the members of Hags-SMP Limited

Report on the financial statements

Our opinion

In our opinion, Hags-SMP 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 2016 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 2016;
- the profit and loss account 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.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of the Directors' Responsibilities 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.



Tom Yeates (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Leeds
23 June 2017

HAGS-SMP Limited

Profit and loss account
For the year ended 31 December 2016

	Note	2016 £	2015 £
Turnover	5	**22,270,262**	23,583,609
Cost of sales		**(16,470,612)**	(17,838,882)
Gross profit		**5,799,650**	5,744,727
Distribution costs		**(4,607,022)**	(4,405,308)
Administrative expenses		**(293,428)**	(262,969)
Operating profit	6	**899,200**	1,076,450
Interest receivable and similar income	9	**45,548**	40,386
Interest payable and similar charges	9	**(136,000)**	(131,000)
Profit on ordinary activities before taxation		**808,748**	985,836
Tax on profit on ordinary activities	10	**75,459**	(13,806)
Profit for the financial year		**884,198**	972,030

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 Comprehensive Income
For the year ended 31 December 2016

	Note	2016 £	2015 £
Profit for the financial year		**884,198**	972,030
Other comprehensive (expense)/income:			
Actuarial (losses)/gains recognised in the pension scheme	19	**(2,361,000)**	98,000
Movement on deferred tax relating to the pension scheme	16	**366,963**	(19,842)
Other comprehensive (expense)/income for the year		**(1,994,037)**	78,158
Total comprehensive (expense)/income		**(1,109,839)**	1,050,188

HAGS-SMP Limited

Balance sheet
As at 31 December 2016

	Note	2016 £	2016 £	2015 £	2015 £
Fixed assets					
Intangible assets	11		**5,190**		5,976
Tangible fixed assets	12		**694,981**		778,731
Current assets					
Inventories	13	**1,536,501**		1,312,283	
Debtors	14	**13,373,520**		11,001,612	
Cash at bank and in hand		**503,685**		1,644,691	
		15,413,706		13,958,586	
Creditors: amounts falling due within one year	15	**(2,766,794)**		(2,715,171)	
Net current assets			**12,646,912**		11,243,415
Total assets less current liabilities			**13,347,083**		12,028,122
Net assets excluding pension deficit			**13,347,083**		12,028,122
Post-employment benefits	19		**(5,664,000)**		(3,235,200)
Net assets including pension deficit			**7,683,083**		8,792,922
Capital and reserves					
Called up share capital	20		**100,000**		100,000
Profit and loss account			**7,583,083**		8,692,922
Total equity shareholders' funds			**7,683,083**		8,792,922

The financial statements on pages 8 to 24 were approved by the board on 23 June 2017 and signed on its behalf.

M Grace
Director

Company registration number: 00908021

HAGS-SMP Limited

Statement of changes in equity
For the year ended 31 December 2016

	Called up share capital £'000	Retained earnings £'000	Total shareholders' funds £'000
Balance as at 1 January 2015	**100,000**	**7,609,734**	**7,709,734**
Profit for the financial year	-	972,030	972,030
Other comprehensive income	-	78,158	78,158
Total comprehensive income/(expense)			
Balance as at 31 December 2015	**100,000**	**8,692,922**	**8,792,922**
Profit for the financial year	-	884,198	884,198
Other comprehensive income	-	(1,994,037)	(1,994,037)
Total comprehensive income/(expense)			
Balance as at 31 December 2016	**100,000**	**7,583,083**	**7,683,083**

1. General Information

The principal activity of the company is the design, manufacture, supply, installation and maintenance of playground equipment to the public and private sectors and is expected to remain so for the foreseeable future. The company is a private company limited by shares and is incorporated and domiciled in the UK. The address of its registered office is Clockhouse Nurseries, Clockhouse Lane East, Egham, Surrey, TW20 8PG.

2. Statement of Compliance

The individual financial statements of Hags – SMP Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

3. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

3.1 Basis of preparation of financial statements

The financial statements are presented in sterling, rounded to the nearest thousand. They are prepared on a going concern basis and under the historical cost convention.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

3.2 Exemptions

The Company has notified its shareholders in writing about, and they do not object to, the use of the disclosure exemptions used by the Company in these financial statements. The principal disclosure exemptions adopted by the Company in accordance with FRS 102 are as follows:

- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d); and
- the requirement of Section 33 Related Party Disclosures paragraph 33.7.

3.3 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.

3.4 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

3.4 Tangible fixed assets and depreciation (continued)

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	-	3-10 years	straight line
Leasehold improvements	-	5 years	straight line
Freehold land and buildings	-	10 years	straight line
Land	-	Not depreciated	

3.5 Inventories and work in progress

Inventory 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.

3.6 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 debt is 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.

3.7 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.

3.8 Post-employment benefits

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.

3. Summary of significant accounting policies (continued)

3.9 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.

3.10 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.

3.11 Leases

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

4. Critical accounting estimates and judgments

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4.1 Critical accounting estimates and assumptions

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

a) Useful economic lives of tangible assets

The annual deprecation charge for the tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See note 11 for the carrying amount of the tangible assets and note 3.5 for the useful economic lives for each class of assets.

b) Inventory provisioning

The company supplies and installs playground equipment and, to a degree, is subject to changing consumer demands. As a result it is necessary to consider the recoverability of the cost of inventory and the associated provisioning required. When calculating the inventory provision, management considers the nature and condition of the inventory.

4.2 Critical judgements in applying the company's accounting policies

Given the simple nature of the company's operations there are no critical judgements taken in applying the company's accounting policies.

5. Turnover

The turnover and profit on ordinary activities before taxation are attributable to the one principal activity of the Company.

An analysis of turnover by geographical destination is given below

	2016	2015
	£	£
United Kingdom	**21,346,722**	21,759,683
Overseas	**923,540**	1,793,926
	22,270,262	23,583,609

6. Operating profit

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

	2016	2015
	£	£
Depreciation of tangible fixed assets	**278,485**	280,935
Amortisation of intangible assets	**786**	786
Gain on disposal of tangible fixed assets	**(250)**	(122,293)
Operating lease charges:		
Land and buildings	**176,400**	156,400
Other assets	**271,738**	274,072
Services provided by the company's auditors:		
Fees payable for the audit	**15,000**	15,000
Foreign exchange (gains)/losses arising from operating activities	**(15,230)**	10,592

7. Remuneration of directors

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

	2016	2015
	£	£
Aggregate emoluments	**187,947**	221,082
Pension contributions	**21,895**	26,794
	209,842	247,876
Highest paid director:		
Aggregate emoluments	**107,984**	163,070
Pension benefits under money purchase pension schemes:		
Pension contribution	**2,400**	9,000

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

	2016	2015
Money purchase schemes	**3**	2

The aggregate Company contribution to money purchase pension schemes in respect of directors' qualifying services was £24,295 (2015: £29,659).

8. Staff numbers and costs

The monthly average number of staff employed by the Company (including directors) during the year, analysed by category, are as follows:

	2016	2015
By activity:	**Number**	Number
Administration	**6**	6
Selling and distribution	**125**	128
	131	134

The aggregate payroll costs of the above were as follows:

	2016	2015
	£	£
Wages and salaries	**4,417,914**	4,514,802
Social security costs	**449,495**	431,800
Other pension costs	**335,077**	263,718
	5,202,486	5,210,320

9. Interest receivable/ payable

	2016	2015
	£	£
Interest receivable from Group Company	**41,792**	29,465
Interest received from customers for late payments	**3,756**	10,921
	45,548	40,386

	2016	2015
	£	£
Net finance cost on pension scheme	**(136,000)**	(131,000)
	(136,000)	(131,000)

10. Income tax

	2016	2015
	£	£
a) Tax expense included in profit and loss		
Current tax:		
UK Corporation tax on profits of the year	-	-
Total current tax	-	-
Deferred tax:		
Origination and reversal of timing differences	**75,054**	(13,806)
Adjustments in respect of prior periods	**396**	-
Total deferred tax	**75,450**	(13,806)
Tax credit/(charge) on loss on ordinary activities	**75,450**	(13,806)

b) Tax expenses included in OCI

	2016	2015
	£	£
Deferred tax:		
Deferred tax on actuarial loss/(gain)	**366,963**	(19,842)

10. Income tax (continued)

c) Factors affecting tax (credit)/charge for year

The tax assessed for the year is lower (2015: lower) than the standard rate of corporation tax in the United Kingdom of 20% (2015: 20.25%). The differences are explained below:

	2016	2015
	£	£
Profit on ordinary activities before taxation	**808,748**	985,836
Profit on ordinary activities multiplied by standard companies rate of corporation tax in the UK of 20% (2015: 20.25%)	**161,750**	199,632
Effects of:		
Amounts not taxable) for tax purposes	**(7,869)**	(20,569)
Rate changes	**-**	80,175
Fixed asset differences	**3,000**	-
Adjustment to tax charge in respect of previous period	**(396)**	-
Group relief claimed for no charge	**(231,935)**	(245,432)
Total tax (credit)/charge for year	**(75,450)**	13,806

The tax rate for the current year is lower than the prior year due to changes in the UK Corporation tax rate which decreased from 21% to 20% from 1 April 2015.

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2015 (on 26 October 2015) and Finance Bill 2016 (on 7 September 2016). These include reductions to the main rate to reduce the rate to 19% from 1 April 2017 and to 17% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

11. Intangible assets

	Trademarks
	£
Cost	
At 1 January 2016	7,938
Additions	-
At 31 December 2016	**7,938**
Accumulated Amortisation	
At 1 January 2016	1,962
Charge for the year	786
At 31 December 2016	**2,748**
Net book value	
At 31 December 2016	**5,190**
At 31 December 2015	5,976

12. Tangible assets

	Leasehold Improvements	Plant and Machinery	Fixtures and fittings	Polish Plant and Equipment	Total
	£	£	£	£	£
Cost					
At 1 January 2016	311,245	1,578,549	1,612,105	-	3,501,899
Additions	-	8,560	111,632	74,546	194,738
Disposals	-	(103,900)	-	-	(103,900)
At 31 December 2016	**311,245**	**1,483,209**	**1,723,737**	**74,546**	**3,592,737**
Accumulated depreciation					
At 1 January 2016	112,049	1,207,846	1,403,270	-	2,723,165
Charge for the year	74,965	96,900	106,626	-	278,491
Eliminated on disposal	-	(103,900)	-	-	(103,900)
At 31 December 2016	**187,014**	**1,200,846**	**1,509,896**	**-**	**2,897,756**
Net book value					
At 31 December 2016	**124,231**	**282,363**	**213,841**	**74,546**	**694,981**
At 31 December 2015	199,196	370,703	208,835	-	778,731

Notes to the financial statements
For the year ended 31 December 2016

13. Inventories

	2016	2015
	£	£
Raw materials and Consumables	**73,245**	85,100
Work in Progress	**571,339**	663,674
Finished Goods	**891,916**	563,509
	1,536,500	1,312,283

The replacement costs of inventories are not considered to be materially different from their carrying amount. Inventories are stated after provisions for impairment of £185,898 (2015: £146,269).

14. Debtors

	2016	2015
	£	£
Trade debtors	**2,800,735**	3,477,363
Amounts owed by group undertakings	**9,044,395**	6,470,259
Other debtors	**4,105**	6,930
Prepayments and accrued income	**365,424**	330,611
Deferred tax asset (note 16)	**1,158,861**	716,449
	13,373,520	11,001,612

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

Trade debtors are stated after provisions for impairment of £49,740 (2015: £67,889)
Trade debtors includes £nil (2015 £nil) falling due after more than one year.

15. Creditors: amounts falling due within one year

	2016	2015
	£	£
Trade creditors	**944,033**	1,084,735
Amounts owed to Group undertakings	**219,656**	331,065
Taxation and social security costs	**162,281**	211,570
Accruals and deferred income	**1,440,824**	1,087,801
	2,766,794	2,715,171

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

16. Deferred taxation

The movement in the deferred taxation asset during the year was

	2016
	£
At the beginning of the year	**716,449**
Deferred tax credited in the profit and loss account (Note 10)	**75,450**
Deferred tax charged/(credited) in the statement of comprehensive income	**366,963**
At the end of the year	**1,158,862**

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

The key components of the deferred tax asset are an asset of £169,813 (2015: £132,472) for fixed asset and short term differences, asset for provisions £2,369 (2015: 1,677) and assets of £nil (2015: £nil) for unutilised trading losses carried forward and £986,680 (2015 £582,300) for pension timing differences (note 19).

17. Commitments under operating leases

At 31 December 2016 the Company had total commitments under non-cancellable operating leases as set out below:

	31 December 2016		31 December 2015	
	Land and buildings	**Other**	Land and buildings	Other
	£	**£**	£	£
Within one year	**176,400**	**227,670**	156,400	274,074
Within two to five years	**413,100**	**214,685**	270,667	450,882
After five years	**79,200**	**1,195**	-	1,632
As at 31 December	**668,700**	**443,550**	427,067	726,588

18. 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 2016 amounted to £NIL (2015: £nil). In the opinion of the directors, no liability is expected to arise as a result of this guarantee.

Notes to the financial statements
For the year ended 31 December 2016

19. Post-employment benefits

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 2015 and has been adjusted to 31 December 2015 to allow for FRS 17 financial assumptions. The scheme closed to new entrants on 31 March 2005. The company has now agreed a recovery plan with the trustees of additional contributions of £135,000 per annum from 5 April 2016.

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:

	2016	2015
	%	%
Rate of increase in pension payment	**3.4**	2.6
Rate of increase in deferred pensions	**3.4**	2.6
Discount rate	**2.8**	3.9
Inflation assumption	**3.6**	3.3

The mortality assumptions used were as follows:

	2016	2015
	Years	Years
Longevity at age 65 for current pensioners:		
- Men	**22.5**	22.4
- Women	**24.5**	24.4

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

	2016 **Long term rate of return expected** **%**	**2016** **Value** **£**	2015 Long term rate of return expected %	2015 Value £
Equities	**5.5**	**4,284,000**	6.2	4,119,800
Bonds	**2.6**	**3,354,000**	3.7	2,831,000
Cash	**0.5**	**38,000**	0.5	43,000
Total fair value of scheme's assets		**7,677,000**		6,993,800
Present value of scheme liabilities		**13,341,000**		10,229,000
Deficit in the scheme		**(5,664,000)**		(3,235,200)
Related deferred tax asset		**962,880**		582,300
Net pension liabilities		**(4,701,120)**		(2,652,900)

19. Post employment benefit (continued)

Analysis of the amount charged to profit and loss account

	2016	2015
	£	£
Administration costs	**11,000**	11,000
Net interest costs	**125,000**	120,000
	136,000	131,000

Analysis of the amount recognised in the statement of comprehensive income.

	2016	2015
	£	£
Actual loss less expected return on pension scheme assets	**521,000**	(314,000)
Actuarial (losses)/gains arising on the scheme liabilities	**(2,882,000)**	412,000
Actuarial (loss)/gain recognised in the statements of comprehensive income	**(2,361,000)**	98,000

Movement in assets during the year

	£	£
Deficit in the scheme in the beginning of the period	**(3,235,200)**	(3,269,200)
Cash contribution	**68,200**	67,000
Other finance costs	**(136,000)**	(131,000)
Actuarial (loss)/gain	**(2,341,000)**	98,000
At the end of the period	**(5,664,000)**	(3,235,200)
Deferred tax effect	**962,880**	582,300
	(4,701,120)	(2,652,900)

Reconciliation of present value of scheme assets

	2016	2015
	£	£
Fair value of assets at the beginning of the year	**6,993,800**	7,276,800
Interest income	**271,000**	265,000
Non-investment expenses	**(11,000)**	(11,000)
Employer contributions	**68,200**	67,000
Benefits paid	**(166,000)**	(290,000)
Actuarial gain/(loss) on assets	**521,000**	(314,000)
Fair value of assets at the end of the year	**7,677,000**	6,993,800

Reconciliation of present value of scheme liabilities

	2016	2015
	£	£
Defined benefit obligation at the beginning of the year	**10,229,000**	10,546,000
Interest cost	**396,000**	385,000
Benefits paid	**(166,000)**	(290,000)
Actuarial loss/(gain) on defined benefit obligation	**2,882,000**	(412,000)
Defined benefit obligation at the end of the year	**13,341,000**	10,229,000

19. Post employment benefit (continued)

Amounts for current and previous four years

	2016	2015	2014	2013	2012
	£	£	£	£	£
Defined benefit obligation	**(13,481,000)**	(10,229,000)	(10,546,000)	(8,598,000)	(7,110,000)
Plan assets	**7,676,300**	6,993,800	7,276,800	6,794,000	4,967,000
Deficit	**(5,804,700)**	3,235,200	(3,269,200)	(1,804,000)	(2,143,000)
Difference between the expected and actual (loss)/return on scheme assets (£)	**521,000**	(314,000)	229,000	390,000	(24,000)
Percentage of the scheme assets (%)	**67.9**	4.5	3.1	5.7	(0.4)
Experience gains/(losses) on scheme liabilities (£)	**2,882,000**	412,000	(1,674,000)	361,000	1,062,000
Percentage of present value of the scheme liabilities (%)	**22.4**	4.0	15.88	4.2	14.9
Total amount recognised in statement of comprehensive income (£)	**(2,361,000)**	98,000	(1,445,000)	751,000	(1,038,000)

The estimated contributions which the Company expects to be paid into the scheme in 2017 are £135,000 (2016: £69,800).

20. Called up share capital

	2016	2015
	£	£
Authorised share capital		
10,000,000 (2015: 10,000,000) ordinary shares of £0.10 each	**1,000,000**	1,000,000
Allotted and fully paid		
1,000,000 (2015: 1,000,000) ordinary shares of £0.10 each	**100,000**	100,000

21. Immediate and ultimate parent undertakings

The company's immediate parent undertaking is Playpower UK Limited.

Hags Play AB, incorporated in Sweden, is an intermediate parent undertaking and also the smallest group of undertakings to consolidate these financial statements at 31 December 2016. Copies of these financial statements can be obtained from Hags Play AB at Box 133, Grannavagen, 7SE-578 23, Aneby, Sweden.

The ultimate parent undertaking and controlling party is Littlejohn & Co LLC, 8 Sound Store Drive, Suite 303, Greenwich, CT 06830. The largest group of undertakings to consolidate these financial statements at 31 December 2015 is Playpower Holdings Inc, copies of these financial statements can be obtained from 13620 Estate Reese Blvd, Suite 3000 Huntersville, NC 28078.