

Sanquhar Tile Services Limited

Report and Financial Statements

Year Ended

31 December 2011

Company Number SC9331

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Sanquhar Tile Services Limited

Report and financial statements for the year ended 31 December 2011

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Directors

D. Watters
D. Lind
F.C. Williamson

Secretary and registered office

W.J.M. Secretaries Limited, The Industrial Estate, Blackaddie Road, Sanquhar, Dumfriesshire DG4 6DB

Company number

SC9331

Auditors

BDO LLP, 4 Atlantic Quay, 70 York Street, Glasgow, G2 8JX

Bankers

Bank of Scotland, , 33 Old Broad Street, London Branch, P O Box 1000, BX2 1LB

Solicitors

Wright, Johnston & Mackenzie, , 302 St. Vincent Street,, Glasgow, G25RZ

Sanquhar Tile Services Limited

Report of the directors for the year ended 31 December 2011

The directors present their report together with the audited financial statements for the year ended 31 December 2011.

Results and dividends

The profit and loss account is set out on page 5 and shows the profit for the year.

Dividends of £75,500 on ordinary shares were paid during the year. The directors do not recommend the payment of a final dividend.

Principal activities, review of business and future developments

The company is engaged in the manufacture and commission manufacture of carpet tiles for the UK and EU markets. There have been no changes in the group's activities in the year under review.

The profit and loss account is set out on page 5 and shows turnover for the year of £13.448m compared with the previous year of £13.933m representing a decrease of 3.5%. Gross Profit of £1.707m (2010 : £2.210m) decreased by 22.8%.

Operating Profit of £0.228 m(2010 : £0.722m) decreased by 68.4%. Net Profit before Tax (excluding other financial income) of £0.197m (2010 : £0.692m) decreased by 71.5%. 2011 was a very difficult year, with massive raw material price increases announced in the first quarter, and a very damaging strike by one of our yarn suppliers. The increased raw material costs were unable to be passed on as customer price increases until the final quarter of 2011, and in several cases not until 2012.

New customers and new business will continue to be developed going forward, although continued increases in raw material prices remains a concern.

Regular maintenance of plant and machinery continues to be carried out.

There have been no events since the balance sheet date which materially affect the position of the company.

Principal risks and uncertainties

The market for carpet tiles remains highly competitive. Nevertheless, the company continues to pursue its objectives of providing both a high quality product and a high quality service to its customers, and in increasing the overall business level and activity.

Oil prices affect a significant proportion of our raw material costs and continue to pose both risk and uncertainty for the company. Increasing raw material prices remain of great concern to us as we go forward in 2012, and their consequent squeeze on margins.

Trade Debtor management is carried out by ensuring timely collections, the carrying out of credit checks and the operation of a Trade Credit insurance policy.

The company has an overdraft facility with Bank of Scotland at a rate of 3% above base rate which has been renewed in May, 2012. The company monitors cash flow as part of its day to day control procedures, and the present bank overdraft facility is currently considered to be adequate.

Repayments of Bank of Scotland Term Loan and Hire Purchase commitments are in line with agreed schedules.

Sanquhar Tile Services Limited

Report of the directors for the year ended 31 December 2011 (*continued*)

Directors

The directors of the company during the year were:

D. Watters
D. Lind
F.C. Williamson

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 elected to prepare 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;
- 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.

On behalf of the board



D Watters

Director

25 May 2012

Sanquhar Tile Services Limited

Independent auditor's report

To the members of Sanquhar Tile Services Limited

We have audited the financial statements of Sanquhar Tile Services Limited for the year ended 31 December 2011 which comprise the profit and loss account, the balance sheet, the statement of total recognised gains and losses 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 Auditing Practices Board's (APB'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 APB's website at www.frc.org.uk/apb/scope/private.cfm.

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 2011 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.

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.

Sanquhar Tile Services 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, 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.

BDO LLP

Neil Craig (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
Glasgow
United Kingdom

25 May 2012

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

Sanquhar Tile Services Limited

Profit and loss account for the year ended 31 December 2011

	Note	2011 £	2010 £
Turnover	2	13,448,437	13,932,697
Cost of sales		11,741,755	11,722,373
Gross profit		1,706,682	2,210,324
Distribution costs		892,982	922,499
Administrative expenses		585,520	565,358
Operating profit	3	228,180	722,467
Other interest receivable and similar income		2	4
Interest payable and similar charges	6	(31,343)	(30,821)
Other finance income	7	61,000	25,000
Profit on ordinary activities before taxation		257,839	716,650
Taxation on profit on ordinary activities	8	55,245	216,084
Profit on ordinary activities after taxation		202,594	500,566

All amounts relate to continuing activities.

The notes on pages 9 to 26 form part of these financial statements.

Sanquhar Tile Services Limited

Statement of total recognised gains and losses for the year ended 31 December 2011

	Note	2011 £	2010 £
Statement of total recognised gains and losses			
Profit for the financial year		202,594	500,566
Actuarial gain / (loss) on pension scheme, net of deferred tax at 25% (2010 - 27%)		(363,000)	410,540
		<u> </u>	<u> </u>
Total recognised gains and losses for the financial year		(160,406)	911,106
		<u> </u>	<u> </u>

The notes on pages 9 to 26 form part of these financial statements.

Sanquhar Tile Services Limited

Balance sheet at 31 December 2011

<i>Company number SC9331</i>	Note	2011 £	2011 £	2010 £	2010 £
Fixed assets					
Tangible assets	10		1,651,199		1,857,658
Current assets					
Stocks	11	2,392,521		2,124,398	
Debtors	12	2,966,464		2,640,356	
Cash at bank and in hand		6,170		128,844	
		<u>5,365,155</u>		<u>4,893,598</u>	
Creditors: amounts falling due within one year	13	<u>2,979,822</u>		<u>2,651,860</u>	
Net current assets			<u>2,385,333</u>		<u>2,241,738</u>
Total assets less current liabilities			<u>4,036,532</u>		<u>4,099,396</u>
Creditors: amounts falling due after more than one year	14	217,543		337,056	
Provisions for liabilities	15	114,138		123,963	
Accruals and deferred income	24	<u>-</u>		<u>6,000</u>	
			<u>331,681</u>		<u>467,019</u>
Net assets excluding pension scheme assets			<u>3,704,851</u>		<u>3,632,377</u>
Pension scheme assets	16		<u>261,750</u>		<u>570,130</u>
Net assets including pension scheme assets			<u><u>3,966,601</u></u>		<u><u>4,202,507</u></u>

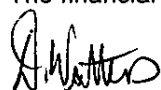
The notes on pages 9 to 26 form part of these financial statements.

Sanquhar Tile Services Limited

Balance sheet at 31 December 2011 (*continued*)

	Note	2011 £	2011 £	2010 £	2010 £
Capital and reserves					
Called up share capital	17		67,720		67,720
Profit and loss account	18		3,898,881		4,134,787
			<u> </u>		<u> </u>
Shareholders' funds	19		3,966,601		4,202,507
			<u> </u>		<u> </u>

The financial statements were approved by the board of directors and authorised for issue on 25 May 2012.



D Watters
Director

The notes on pages 9 to 26 form part of these financial statements.

Sanquhar Tile Services Limited

Notes forming part of the financial statements for the year ended 31 December 2011

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:

Cash flow statement

The company has taken advantage of the exemption conferred by Financial Reporting Standard 1 'Cash Flow Statements (Revised 1996)' not to prepare a cash flow statement on the grounds that at least 90% of the voting rights in the company are controlled within the group headed by Styletuff Limited and the company is included in consolidated financial statements.

Goodwill

Purchased goodwill is capitalised and amortised through the profit and loss account over 5 years being the directors' estimate of its useful life.

Turnover

Turnover represents the invoiced amount of goods sold and services provided, stated net of value added tax.

Depreciation

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

Freehold land and buildings	- depreciated over varying periods ranging between 10 and 20 years depending on the anticipated life of the asset concerned
Plant and machinery	- depreciated over varying periods ranging between 5 and 10 years depending on the anticipated life of the asset concerned
Motor vehicles	- depreciated over 5 years

Stocks

Stocks are stated at the lower of cost and net realisable value as follows:-

Costs incurred in bringing each product to its present location and condition:

Raw materials - purchase cost on a first in, first out basis.

Work-in-progress and finished goods - cost of direct materials and labour plus attributable overheads based on normal level of activity.

Net realisable value is based on estimated selling price less further costs expected to be incurred to completion and disposal.

Foreign currency

Foreign currency transactions are translated into sterling at the rates ruling when they occurred. Foreign currency monetary assets and liabilities are translated at the rates ruling at the balance sheet dates. Any differences are taken to the profit and loss account.

Sanquhar Tile Services Limited

Notes forming part of the financial statements for the year ended 31 December 2011 (*continued*)

1 Accounting policies (*continued*)

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 company anticipates making sufficient taxable profits in the future to absorb the reversal of the underlying timing differences.

Deferred tax balances are not discounted.

Leased assets

Where assets are financed by hire purchase agreements, the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum hire purchase payments payable during the lease term. The corresponding hire purchase commitments are shown as amounts payable on HP contracts. Depreciation on the relevant assets is charged to the profit and loss account.

Hire purchase payments are analysed between capital and interest components. The interest element of the payment is charged to the profit and loss account over the period of the lease on a straight-line basis. The capital part reduces the amounts payable on the hire purchase contract.

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.

Pension costs

The difference between the fair value of the assets held in the company's defined benefit pension scheme and the scheme's liabilities measured on an actuarial basis using the projected unit method are recognised in the company's balance sheet as a pension scheme asset or liability as appropriate. The carrying value of any resulting pension scheme asset is restricted to the extent that the company is able to recover the surplus either through reduced contributions in the future or through refunds from the scheme. The pension scheme balance is recognised net of any related deferred tax balance.

Changes in the defined benefit pension scheme asset or liability arising from factors other than cash contribution by the company are charged to the profit and loss account or the statement of total recognised gains and losses in accordance with FRS 17 'Retirement benefits'.

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

Deferred government grants

Deferred government grants represent grants received on capital expenditure, and for approved regional projects. The grants are credited to the profit and loss account at the same rate as the depreciation on the assets to which the grant relates.

Sanquhar Tile Services Limited

Notes forming part of the financial statements
for the year ended 31 December 2011 (continued)

2 Turnover

	2011 £	2010 £
Analysis by geographical market:		
United Kingdom	11,296,804	11,994,939
Europe	2,151,633	1,937,758
	<u>13,448,437</u>	<u>13,932,697</u>

Turnover is wholly attributable to the principal activity of the company.

3 Operating profit

	2011 £	2010 £
This is arrived at after charging/(crediting):		
Depreciation of tangible fixed assets	356,439	405,982
Amortisation of positive goodwill	-	11,000
Hire of plant and machinery - operating leases	73,515	69,292
Defined benefit pension cost (see below)	228,000	210,000
Audit services	20,000	20,500
Non-audit services	7,700	5,418
Release of government grants	(6,000)	(16,000)
	<u>228,000</u>	<u>210,000</u>

	2011 £	2010 £
Defined benefit pension costs charged in arriving at the operating profit comprise the following:		
Current service cost	<u>228,000</u>	<u>210,000</u>

Sanquhar Tile Services Limited

Notes forming part of the financial statements
for the year ended 31 December 2011 (*continued*)

4 Employees

Staff costs (including directors) consist of:

	2011 £	2010 £
Wages and salaries	2,737,128	3,071,225
Social security costs	220,023	242,647
Other pension costs	227,391	233,817
	<u>3,184,542</u>	<u>3,547,689</u>

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

	2011 Number	2010 Number
Management and administration	11	11
Production, installation and sales	102	112
	<u>113</u>	<u>123</u>

Sanquhar Tile Services Limited

Notes forming part of the financial statements
for the year ended 31 December 2011 (*continued*)

5 Directors' remuneration

	2011 £	2010 £
Directors' emoluments	<u>254,444</u>	<u>246,946</u>

There were 3 directors in the company's defined benefit pension scheme during the year (2010 - 3).

The total amount payable to the highest paid director in respect of emoluments was £90,012 (2010 - £87,424). He is a member of a defined benefit scheme, under which the accrued pension at the year end was £37,767 (2010 - £35,596).

6 Interest payable and similar charges

	2011 £	2010 £
Bank loans and overdrafts	15,067	15,636
Hire purchase contracts	16,276	15,185
	<u>31,343</u>	<u>30,821</u>

7 Other finance income

	2011 £	2010 £
Expected return on pension scheme assets	334,000	299,000
Interest on pension scheme liabilities	(273,000)	(274,000)
	<u>61,000</u>	<u>25,000</u>

Sanquhar Tile Services Limited

Notes forming part of the financial statements
for the year ended 31 December 2011 (*continued*)

8 Taxation on profit on ordinary activities

	2011 £	2010 £
<i>UK Corporation tax</i>		
Current tax on profits of the year	58,297	204,019
Adjustment in respect of previous periods	(125)	(511)
Group relief	9,518	10,499
Total current tax	67,690	214,007
<i>Deferred tax</i>		
Origination and reversal of timing differences	(9,814)	(11,096)
Adjustment in respect of previous periods	(11)	483
Deferred tax on pension scheme asset	(2,620)	12,690
Movement in deferred tax provision	(12,445)	2,077
Taxation on profit on ordinary activities	55,245	216,084

Of the total taxation of £55,245 (2010 - £216,084), £(9,825) (2010 - £(10,613)) relates to the movement in deferred tax provision and £(2,620) (2010 - £12,690) relates to the movement in deferred tax on pension scheme assets/liabilities.

The tax assessed for the year differs from the standard rate of corporation tax in the UK applied to profit before tax. The differences are explained below:

	2011 £	2010 £
Profit on ordinary activities before tax	257,839	716,650
Profit on ordinary activities at the standard rate of corporation tax in the UK of 26.49% (2010 - 28.00%)	68,302	200,662
Effect of:		
Expenses not deductible for tax purposes	6,472	7,704
Depreciation for period in excess of capital allowances	1,984	5,266
Adjustment to tax charge in respect of previous periods	(125)	(511)
Other timing differences	(1,128)	1,238
Marginal relief	(7,815)	(352)
Current tax charge for the year	67,690	214,007

Sanquhar Tile Services Limited

Notes forming part of the financial statements
for the year ended 31 December 2011 (*continued*)

9 Dividends

	2011 £	2010 £
Ordinary shares		
Interim paid of £1.115 (2010 - £1.801) per share	75,500	121,000

Sanquhar Tile Services Limited

Notes forming part of the financial statements
for the year ended 31 December 2011 (*continued*)

10 Tangible fixed assets

	Freehold land and buildings £	Plant and machinery £	Motor vehicles £	Total £
<i>Cost</i>				
At 1 January 2011	1,149,906	5,249,399	5,124	6,404,429
Additions	-	154,491	-	154,491
Disposals	-	(166,594)	-	(166,594)
	<u>1,149,906</u>	<u>5,237,296</u>	<u>5,124</u>	<u>6,392,326</u>
<i>Depreciation</i>				
At 1 January 2011	675,601	3,866,046	5,124	4,546,771
Provided for the year	55,889	300,550	-	356,439
Disposals	-	(162,083)	-	(162,083)
	<u>731,490</u>	<u>4,004,513</u>	<u>5,124</u>	<u>4,741,127</u>
<i>Net book value</i>				
At 31 December 2011	<u>418,416</u>	<u>1,232,783</u>	<u>-</u>	<u>1,651,199</u>
At 31 December 2010	<u>474,305</u>	<u>1,383,353</u>	<u>-</u>	<u>1,857,658</u>

The net book value of, and depreciation charge for the year on, tangible fixed assets includes assets held under hire purchase contracts as follows:

	2011 £	2010 £
<i>Net book value</i>		
Plant and machinery	<u>498,835</u>	<u>480,151</u>
<i>Depreciation charged</i>		
Plant and machinery	<u>64,171</u>	<u>70,016</u>

Sanquhar Tile Services Limited

Notes forming part of the financial statements
for the year ended 31 December 2011 (*continued*)

11 Stocks

	2011 £	2010 £
Raw materials and consumables	1,810,099	1,584,908
Finished goods and goods for resale	582,422	539,490
	<u>2,392,521</u>	<u>2,124,398</u>

12 Debtors

	2011 £	2010 £
Trade debtors	1,939,678	1,779,250
Amounts owed by group undertakings	874,756	719,538
Other debtors	68,817	26,512
Prepayments and accrued income	83,213	115,056
	<u>2,966,464</u>	<u>2,640,356</u>

All amounts shown under debtors fall due for payment within one year.

13 Creditors: amounts falling due within one year

	2011 £	2010 £
Bank loans and overdrafts (secured)	299,376	29,257
Trade creditors	1,577,351	1,459,807
Amounts owed to group undertakings	192,988	117,487
Corporation tax	58,297	204,019
Other taxation and social security	232,068	202,682
Obligations under hire purchase contracts	118,681	151,036
Other creditors	196,081	191,671
Accruals and deferred income	304,980	295,901
	<u>2,979,822</u>	<u>2,651,860</u>

Sanquhar Tile Services Limited

Notes forming part of the financial statements
for the year ended 31 December 2011 (*continued*)

14 Creditors: amounts falling due after more than one year

	2011 £	2010 £
Bank loans (secured)	97,305	123,056
Obligations under hire purchase contracts	120,238	214,000
	<u>217,543</u>	<u>337,056</u>

Maturity of debt:

	Bank loans and overdrafts 2011 £	Bank loans and overdrafts 2010 £	Hire Purchase 2011 £	Hire Purchase 2010 £
In one year or less, or on demand	299,376	29,257	118,681	151,036
In more than one year but not more than two years	29,256	35,286	78,681	114,000
In more than two years but not more than five years	68,049	81,740	41,557	100,000
In more than five years	-	6,030	-	-
	<u>97,305</u>	<u>123,056</u>	<u>120,238</u>	<u>214,000</u>

The hire purchase obligations are secured on the assets being purchased.

A loan of £250,000 was received from the Bank of Scotland in August 2006. The loan is repayable in equal monthly instalments by July 2016 and bears interest at 2% over base rate. The bank holds a standard security over property owned by the company and a floating charge over its whole assets.

Sanquhar Tile Services Limited

Notes forming part of the financial statements
for the year ended 31 December 2011 (*continued*)

15 Provisions for liabilities

	Deferred taxation £	
At 1 January 2011	123,963	
Credited to profit and loss account	(9,825)	
At 31 December 2011	114,138	
<i>Deferred taxation</i>		
	2011 £	2010 £
Accelerated capital allowances	117,463	128,893
Sundry timing differences	(3,325)	(4,930)
	114,138	123,963

Sanquhar Tile Services Limited

Notes forming part of the financial statements for the year ended 31 December 2011 (continued)

16 Pensions

The company operates a defined benefit pension scheme for employees. The assets of the scheme are held in a separate Trustee administered fund. The pension cost is assessed in accordance with the advice of a professionally qualified actuary on the basis of the valuations using the projected unit method.

The contributions for the year ended 31 December 2011 in respect of this scheme were £169,434 (2010- £180,203). The contributions made in the period 1 January 2011 to 31 December 2011 for the company were at the rates of 8.885% and 6.885% of Pensionable Salaries for Category A members and Category B members respectively. Employee contributions were 3.5% of Pensionable Salaries for Category A members and 5.5% of Pensionable Salaries for Category B members. Contribution rates will be reviewed at the date of the next actuarial valuation as at 1 April 2012.

There were outstanding contributions at the end of the financial year of £11,866 (2010 - £18,117) for Category A and £5,514 (2010 - £5,855) for Category B.

In addition to the above, the company contributes to a life assurance scheme. The cost of providing life cover during the year was £49,234 (2010 - £51,689).

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension charge represents contributions payable by the company to the fund and amounted to £24,479 (2010 - £23,817).

There were outstanding contributions at the end of the financial year of £2,345 (2010 - £2,755).

	2011 £	2010 £
<i>Reconciliation of present value of plan liabilities</i>		
At the beginning of the year	4,985,000	4,839,000
Current service cost	228,000	210,000
Interest cost	273,000	274,000
Contributions by participants	83,000	88,000
Actuarial gains	(123,000)	(291,000)
Benefits paid	(82,000)	(105,000)
Expenses	(30,000)	(30,000)
At the end of the year	5,334,000	4,985,000

	2011 £	2010 £
<i>Composition of plan liabilities</i>		
Schemes wholly or partly funded	(5,334,000)	(4,985,000)

Sanquhar Tile Services Limited

Notes forming part of the financial statements
for the year ended 31 December 2011 (*continued*)

16 Pensions (*continued*)

	2011 £	2010 £
<i>Reconciliation of fair value of plan assets</i>		
At the beginning of the year	5,766,000	5,013,000
Expected rate of return on plan assets	334,000	299,000
Actuarial (losses)/gains	(607,000)	269,000
Contributions by company	219,000	232,000
Contributions by participants	83,000	88,000
Benefits paid	(82,000)	(105,000)
Expenses	(30,000)	(30,000)
At the end of the year	5,683,000	5,766,000
	2011 £	2010 £
<i>Reconciliation to balance sheet</i>		
Present value of funded obligations	(5,334,000)	(4,985,000)
Fair value of plan assets	5,683,000	5,766,000
Plan surplus	349,000	781,000
Related deferred tax liability	(87,250)	(210,870)
Net asset	261,750	570,130
	2011 £	2010 £
<i>The amounts recognised in profit and loss are as follows:</i>		
<i>Included in expenses:</i>		
Current service cost	(228,000)	(210,000)
<i>Included in other finance (income)/expense:</i>		
Interest cost	(273,000)	(274,000)
Expected return of plan assets	334,000	299,000
	(167,000)	(185,000)

Sanquhar Tile Services Limited

Notes forming part of the financial statements
for the year ended 31 December 2011 (continued)

16 Pensions (continued)

	2011 £	2010 £
<i>Analysis of amount recognised in statement of total recognised gains and losses</i>		
Actual return less expected return on pension plan assets	(607,000)	269,000
Experience gains and losses arising on the scheme liabilities	430,000	601,000
Changes in assumptions underlying the present value of the scheme liabilities	(307,000)	(310,000)
	<u> </u>	<u> </u>
Actuarial (losses)/gains recognised in the statement of total recognised gains and losses	(484,000)	560,000
	<u> </u>	<u> </u>
	2011 £	2010 £
<i>Cumulative amount of gains/(losses) recognised in the statement of total recognised gains and losses</i>	40,440	393,760
	<u> </u>	<u> </u>
	2011 £	2010 £
<i>Composition of plan assets</i>		
European equities	4,279,000	4,471,000
European bonds	806,000	697,000
Cash	598,000	598,000
	<u> </u>	<u> </u>
Total plan assets	5,683,000	5,766,000
	<u> </u>	<u> </u>

Narrative description of the basis used to determine the overall expected rate of return of assets

Overall expected rate of return on plan assets is based upon historical returns of the investment performance adjusted to reflect expectations of future long-term returns by asset class.

	2011 £	2010 £
<i>Actual return on plan assets</i>	(941,000)	568,000
	<u> </u>	<u> </u>

Sanquhar Tile Services Limited

Notes forming part of the financial statements
for the year ended 31 December 2011 (*continued*)

16 Pensions (*continued*)

	2011 %	2010 %
<i>Principle actuarial assumptions used at the balance sheet date</i>		
Discount rates	4.75	5.40
Expected rates of return on plan assets		
Equities	6.25	6.25
Bonds	6.25	6.25
Cash	2.00	2.00
Inflation assumption	2.70	3.70
Future salary increases	3.75	4.20
Future pension increases	2.20	3.00
Mortality -pre and post retirement	pa92mc	pa92mc

The mortality rates denoted by pa92mc are base rates in accordance with the pa92 tables published by the Actuarial Profession. An allowance has been made for future improvements in longevity in accordance with the medium cohort effect.

Longevity at age 65 for current pensioners: men 22.8 years, women 26.0 years.

Longevity at age 65 for future pensioners now aged 45: men 24.7 years, women 28.1 years.

	2011 £	2010 £	2009 £	2008 £	2007 £
<i>Five year history</i>					
Present value of the plan liabilities	(5,334,000)	(4,985,000)	(4,839,000)	(3,673,000)	(3,725,000)
Fair value of the plan assets	5,683,000	5,766,000	5,013,000	4,109,000	4,750,000
Surplus on the pension plans	349,000	781,000	174,000	436,000	1,025,000
<i>Experience adjustments arising on:</i>					
Plan liabilities	430,000	601,000	142,000	61,000	(236,000)
Plan assets	(607,000)	269,000	446,000	(1,185,000)	260,000

The best estimate of contributions to be paid by the employer to the scheme for the period beginning after 31 December 2011 is £225,000.

Sanquhar Tile Services Limited

Notes forming part of the financial statements
for the year ended 31 December 2011 (*continued*)

17 Share capital

	2011 £	2010 £
<i>Allotted, called up and fully paid</i>		
Ordinary shares of £1 each	67,720	67,720

18 Reserves

	Profit and loss account £
At 1 January 2011	4,134,787
Profit for the year	202,594
Dividends	(75,500)
Actuarial losses on pension scheme, net of deferred tax	(363,000)
At 31 December 2011	3,898,881

19 Reconciliation of movements in shareholders' funds

	2011 £	2010 £
Profit for the year	202,594	500,566
Dividends	(75,500)	(121,000)
	127,094	379,566
Actuarial (loss)/gain on pension scheme, net of deferred tax at 25% (2010 - 27%)	(363,000)	410,540
Net (deductions from)/additions to shareholders' funds	(235,906)	790,106
Opening shareholders' funds	4,202,507	3,412,401
Closing shareholders' funds	3,966,601	4,202,507

Sanquhar Tile Services Limited

Notes forming part of the financial statements
for the year ended 31 December 2011 (continued)

20 Commitments under operating leases

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

	Plant and vehicles 2011 £	Plant and vehicles 2010 £
Operating leases which expire:		
Within one year	5,408	36,617
In two to five years	50,835	33,463
	<u>56,243</u>	<u>70,080</u>

21 Related party disclosures

Balances due by group undertakings are included in note 13. Balances due to group undertakings are included in note 14. The company has taken advantage of the exemptions to disclose group transactions as conferred by section 3(c) of Financial Reporting Standard No.8.

At 31 December 2011 the trading balance owing to the company by Marlin Contract b.v. , an associate company of Styletuft Limited, was £145,410.

22 Ultimate parent company

The directors regard Styletuft Limited as the company's ultimate parent company.

Styletuft Limited is the only company within the group of companies for which group financial statements are drawn up and of which the company is a member. No single party has overall control of Styletuft Limited.

23 Capital commitments

	2011 £	2010 £
Contracted but not provided for	<u>46,828</u>	<u>22,914</u>

Sanquhar Tile Services Limited

Notes forming part of the financial statements
for the year ended 31 December 2011 (*continued*)

24 Deferred grant reserve

	2011 £	2010 £
As at 1 January 2011	6,000	22,000
Released to profit and loss account	(6,000)	(16,000)
As at 31 December 2011	-	6,000