

Sanquhar Tile Services Limited

Report and financial statements

Year Ended

31 December 2016

Company Number SC9331

THURSDAY



S69MLJJF

SCT

29/06/2017

#142

COMPANIES HOUSE

Sanquhar Tile Services Limited

Company Information

Directors	D. Watters D. Lind F.C. Williamson A.J. Campbell
Company secretary	W.J.M. Secretaries Limited
Registered number	SC9331
Registered office	The Industrial Estate Blackaddie Road Sanquhar Dumfriesshire DG4 6DB
Independent auditor	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 G2 5RZ

Sanquhar Tile Services Limited

Contents

	Page
Strategic report	1
Directors' report	2
Directors' responsibilities statement	3
Independent auditor's report	4 - 5
Profit and loss account	6
Statement of comprehensive income	7
Balance sheet	8
Statement of changes in equity	9
Notes to the financial statements	10 - 29

Sanquhar Tile Services Limited

Strategic report For the year ended 31 December 2016

The directors present their strategic report together with the audited financial statements for the year ended 31 December 2016.

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 overall business activity. Despite difficult conditions on raw material pricing, the company continues to pursue all possibilities for reducing unit costs.

Oil prices have increased during 2016 and, together with a weakened sterling, there is a definite increase in raw material prices.

Credit 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 monitors cash flow as part its day to day control procedures and repayments of hire purchase commitments are in line with agreed schedules.

Performance

Performance for the year shows a slight downward trend against 2015. Given the highly competitive market for carpet tiles, the company performance in 2016 is considered to be very satisfactory.

New customers and new business will continue to be developed going forward. Raw material prices continue to experience unprecedented increases and the company is trying to negate this with a more profitable sales mix.

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.

Financial key performance indicators

The directors closely monitor the company's financing requirements, sales and margins. Turnover for the year of £14.964m compared with the previous year of £15.653m representing a decrease of 4.4%.

Gross Profit of £2.737m (2015 : £2.933m) decreased by 6.6%. Operating Profit of £1.217m (2015: £1.302m) decrease by 6.5%. Net profit before tax (excluding other financial income) of £1.216m (2015: £1.298m) decreased by 6.3%.

This report was approved by the board on 14 June 2017 and signed on its behalf.



F.C. Williamson
Director

Sanquhar Tile Services Limited

Directors' report For the year ended 31 December 2016

The directors present their report and the financial statements for the year ended 31 December 2016.

Results and dividends

The profit for the year, after taxation, amounted to £988,539 (2015 - £1,046,006).

Dividends of £96,000 on ordinary shares were paid during the year. The directors do not recommend the payment of a final dividend.

The directors who served during the year were:

D. Watters
D. Lind
F.C. Williamson
A.J. Campbell (appointed 1 January 2017)

Disclosure of information to auditor

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

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Auditor

The auditor, BDO LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 14 June 2017 and signed on its behalf.


F.C. Williamson
Director

Sanquhar Tile Services Limited

Directors' responsibilities statement

The directors are responsible for preparing the strategic report, directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with 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 judgments and accounting estimates that are reasonable and prudent; 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, to disclose with reasonable accuracy at any time the financial position of the company and to 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.

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 2016 which comprise the profit and loss account, the statement of other comprehensive income, the balance sheet, the statement of changes in equity 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 auditor

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

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 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.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Sanquhar Tile Services Limited

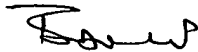
Independent auditor's report to the members of Sanquhar Tile Services Limited

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

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.



Alastair Rae (Senior statutory auditor)
for and on behalf of BDO LLP, Statutory auditor
Glasgow
United Kingdom

14 June 2017

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 2016

	Note	2016 £	2015 £
Turnover	4	14,963,757	15,652,787
Cost of sales		(12,226,931)	(12,719,657)
Gross profit		2,736,826	2,933,130
Distribution costs		(902,594)	(993,328)
Administrative expenses		(617,110)	(638,151)
Operating profit	5	1,217,122	1,301,651
Interest receivable and similar income	8	67	4
Interest payable and expenses	9	(1,108)	(3,713)
Other finance income	10	20,000	10,000
Profit before tax		1,236,081	1,307,942
Tax on profit on ordinary activities	11	(247,542)	(261,936)
Profit for the year		988,539	1,046,006

The notes on pages 10 to 29 form part of these financial statements.

Sanquhar Tile Services Limited

Statement of comprehensive income For the year ended 31 December 2016

	Note	2016 £	2015 £
Profit for the financial year		988,539	1,046,006
OTHER COMPREHENSIVE INCOME			
Actuarial (loss)/gain on defined benefit schemes	24	(431,000)	335,000
Movement on deferred tax relating to pension loss/(gain)	24	86,200	(67,000)
OTHER COMPREHENSIVE INCOME FOR THE YEAR		(344,800)	268,000
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		643,739	1,314,006

Sanquhar Tile Services Limited
REGISTERED NUMBER: SC9331

Balance sheet
As at 31 December 2016

	Note	2016 £	2015 £
Fixed assets			
Tangible assets	13	1,094,465	1,178,606
		<u>1,094,465</u>	<u>1,178,606</u>
Current assets			
Stocks	14	2,090,194	2,001,198
Debtors: Amounts falling due within one year	15	3,964,685	4,183,876
Current asset investments	16	500,000	-
Cash at bank and in hand	17	1,892,387	1,763,292
		<u>8,447,266</u>	<u>7,948,366</u>
Creditors: Amounts falling due within one year	18	(3,271,180)	(3,784,069)
Net current assets		<u>5,176,086</u>	<u>4,164,297</u>
Total assets less current liabilities		<u>6,270,551</u>	<u>5,342,903</u>
Provisions for liabilities			
Deferred taxation	19	(93,389)	(193,530)
		<u>(93,389)</u>	<u>(193,530)</u>
Deferred grant	20	(6,535)	(12,485)
Net assets excluding pension asset		<u>6,170,627</u>	<u>5,136,888</u>
Pension asset	24	84,000	570,000
Net assets		<u><u>6,254,627</u></u>	<u><u>5,706,888</u></u>
Capital and reserves			
Called up share capital	21	67,720	67,720
Profit and loss account		6,186,907	5,639,168
		<u><u>6,254,627</u></u>	<u><u>5,706,888</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 14 June 2017.


A.J. Campbell
Director

The notes on pages 10 to 29 form part of these financial statements.

Sanquhar Tile Services Limited

Statement of changes in equity As at 31 December 2016

	Share capital £	Retained earnings £	Total equity £
At 1 January 2016	67,720	5,639,168	5,706,888
Profit for the year	-	988,539	988,539
Actuarial losses on pension scheme	-	(344,800)	(344,800)
Contributions by and distributions to owners			
Dividends: Equity capital	-	(96,000)	(96,000)
At 31 December 2016	67,720	6,186,907	6,254,627

Statement of changes in equity As at 31 December 2015

	Share capital £	Retained earnings £	Total equity £
At 1 January 2015	67,720	4,497,662	4,565,382
Profit for the year	-	1,046,006	1,046,006
Actuarial gains on pension scheme	-	268,000	268,000
Contributions by and distributions to owners			
Dividends: Equity capital	-	(172,500)	(172,500)
At 31 December 2015	67,720	5,639,168	5,706,888

The notes on pages 10 to 29 form part of these financial statements.

Sanquhar Tile Services Limited

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

1. General information

Sanquhar Tile Services Limited is a company incorporated in Scotland under the Companies Act 2006, limited by shares. The address of the registered office and the company number are given on the contents page. The company's principal activities are the manufacture and commission manufacture of carpet tiles for the UK and EU markets.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the company's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Financial reporting standard 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS 102 "The Financial Reporting Standard Applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.39 to 11.48A;
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.29;
- the requirements of Section 33 Related Party Disclosure paragraph 33.7

2.3 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the company has transferred the significant risks and rewards of ownership to the buyer;
- the company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the company will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Sanquhar Tile Services Limited

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

2. Accounting policies (continued)

2.4 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historic cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The company adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the company. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

The estimated useful lives range as follows:

Freehold property	- 10 - 20 years
Plant and machinery	- 5 - 10 years
Motor vehicles	- 5 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the profit or loss.

2.5 Current asset investment

Current asset investment relates to fixed term deposits.

2.6 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

2.7 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

Sanquhar Tile Services Limited

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

2. Accounting policies (continued)

2.8 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.9 Financial instruments

The company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other amounts receivable and payable, loans from banks and other third parties and loans to related parties.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other amounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration, expected to be paid or received. However if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in profit or loss.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate, which is an approximation of the amount that the company would receive for the asset if it were to be sold at the reporting date.

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

2.10 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

Sanquhar Tile Services Limited

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

2. Accounting policies (continued)

2.11 Government grants

Grants are accounted under the accruals model as permitted by FRS 102. Grants relating to expenditure on tangible fixed assets are credited to profit or loss at the same rate as the depreciation on the assets to which the grant relates. The deferred element of grants is included in creditors as deferred income.

Grants of a revenue nature are recognised in profit and loss account in the same period as the related expenditure.

2.12 Foreign currency translation

Functional and presentation currency

The company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Profit and loss account except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Profit and loss account within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Profit and loss account within 'other operating income'.

2.13 Finance costs

Finance costs are charged to the Profit and loss account over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.14 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting. Dividends on shares recognised as liabilities are recognised as expenses and classified within interest payable.

Sanquhar Tile Services Limited

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

2. Accounting policies (continued)

2.15 Operating leases: the company as lessee

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

2.16 Pensions

Defined benefit pension plan

The company operates a defined benefit plan for certain employees. A defined benefit plan defines the pension benefit that the employee will receive on retirement, usually dependent upon several factors including but not limited to age, length of services and remuneration. A defined benefit plan is a pension plan that is not a defined contribution plan.

The liability recognised in the balance sheet in respect of the defined benefit plan is the present value of the defined benefit obligation at the end of the balance sheet date less the fair value of plan assets at the balance sheet date (if any) out of which the obligations are to be settled.

The defined benefit obligation is calculated using the projected unit credit method. Annually the company engages independent actuaries to calculate the obligation. The present value is determined by discounting the estimate future payments using market yields on high quality corporate bonds that are denominated in sterling and that have terms approximating to the estimated period of the future payments ('discount rate').

The fair value of plan assets is measured in accordance with the FRS 102 fair value hierarchy and in accordance with the company's policy for similarly held assets. This includes the use of appropriate valuation techniques.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income.

The cost of the defined benefit plan, recognised in profit or loss as employee costs, except where included in the cost of an asset, comprises:

- a) the increase in net pension benefit liability arising from employee service during the period; and
- b) the cost of plan introductions, benefit changes, curtailments and settlements.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is recognised in the profit or loss.

Defined contributions pension plan

The company operates a defined contribution pension plan for its employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate legal entity. Once the contributions have been paid the company has no further payment obligations.

The contributions are recognised as an expense in the profit and loss account when they fall due. Amounts not paid are shown in accruals as a liability in the balance sheet. The assets of the plan are held separately from the company in independently administered funds.

Sanquhar Tile Services Limited

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

2. Accounting policies (continued)

2.17 Interest income

Interest income is recognised in the Profit and loss account using the effective interest method.

2.18 Provisions for liabilities

Provisions are made where an event has taken place that gives the company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Profit and loss account in the year that the company becomes aware of the obligation, and are measured at the best estimate at the Balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance sheet.

2.19 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the profit and loss account, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the company operates and generates income.

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 it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Sanquhar Tile Services Limited

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

3. Judgments in applying accounting policies and key sources of estimation uncertainty

In the application of the company's accounting policies, which are described in note 1, the directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

In preparing these financial statements the directors have made the following judgments:

- The useful economic life of the fixed assets and the depreciation rates applied.
- Whether any bad debt provision is required, with debts provided for on a specific basis. Factors considered include customer payment history and agreed payment terms.
- Whether any stock provision is necessary. Factors considered included a review of stock quantities against sales of stock over historic periods.
- Whether a customer claims provision is required based on the company's assessment of the customer-specific position.
- Whether the assumptions applied in the actuarial valuation of the defined benefit pension scheme are appropriate.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

4. Turnover

Analysis of turnover by country of destination:

	2016 £	2015 £
United Kingdom	13,820,130	14,117,511
Rest of Europe	1,143,627	1,535,276
	<u>14,963,757</u>	<u>15,652,787</u>

Sanquhar Tile Services Limited

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

5. Operating profit

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

	2016 £	2015 £
Depreciation of tangible fixed assets	262,349	250,487
Depreciation of hire purchase assets	21,819	15,419
Operating lease rentals - equipment	76,990	73,408
Government grant release	(5,950)	(6,243)
Fees payable to the company's auditor and its associates for the audit of the company's annual financial statements	20,000	20,000
Fees payable to the company's auditor for non-audit services	8,250	7,650
	<u>262,349</u>	<u>250,487</u>

6. Employees

Staff costs were as follows:

	2016 £	2015 £
Wages and salaries	3,175,317	3,152,112
Social security costs	283,339	252,852
Other pension costs	158,033	332,962
	<u>3,616,689</u>	<u>3,737,926</u>

The average monthly number of employees, including the directors, during the year was as follows:

	2016 No.	2015 No.
Management and administration	11	11
Production, installation and sales	98	100
	<u>109</u>	<u>111</u>

Sanquhar Tile Services Limited

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

7. Directors' remuneration

	2016 £	2015 £
Directors' emoluments	297,709	279,615
Company contributions to defined contributions pension scheme	14,922	11,949
	<u>312,631</u>	<u>291,564</u>

There were 3 directors receiving benefits under the company's defined benefit pension scheme (2015 - 3).

The total accrued pension provision of the highest paid director as 31 December 2016 amounted to £20,959 (2015 - £21,319).

Contributions were made to a defined contribution scheme for one director (2015 - none).

The highest paid director received remuneration of £106,070 (2015 - £104,437).

8. Interest receivable

	2016 £	2015 £
Other interest receivable	67	4
	<u>67</u>	<u>4</u>

9. Interest payable and similar charges

	2016 £	2015 £
Bank interest payable	1,108	(22)
Finance leases and hire purchase contracts	-	3,735
	<u>1,108</u>	<u>3,713</u>

Sanquhar Tile Services Limited

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

10. Other finance income

	2016 £	2015 £
Net interest on net defined benefit asset	20,000	10,000
	<u>20,000</u>	<u>10,000</u>

Sanquhar Tile Services Limited

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

11. Taxation

	2016 £	2015 £
Corporation tax		
Current tax on profits for the year	255,713	295,935
Adjustments in respect of previous periods	-	(8,000)
	<u>255,713</u>	<u>287,935</u>
Group taxation relief	5,770	5,669
Total current tax	<u>261,483</u>	<u>293,604</u>
Deferred tax		
Origination and reversal of timing differences	5,267	(20,668)
Deferred tax on pension scheme contributions	(11,000)	(11,000)
Adjustment in respect of prior periods	183	-
Effect of tax rate change on opening balance	(8,391)	-
Total deferred tax	<u>(13,941)</u>	<u>(31,668)</u>
Taxation on profit on ordinary activities	<u>247,542</u>	<u>261,936</u>

Sanquhar Tile Services Limited

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

11. Taxation (continued)

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 20% (2015 - 20.25%). The differences are explained below:

	2016 £	2015 £
Profit on ordinary activities before tax	1,236,081	1,307,942
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2015 - 20.25%)	247,216	264,858
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	900	640
Capital allowances for year in excess of depreciation	8,529	8,557
Adjustments to tax charge in respect of prior periods	33	(8,000)
Adjustments to opening deferred tax charge	(9,136)	(4,119)
Total tax charge for the year	247,542	261,936

Factors that may affect future tax charges

There were no factors that may affect future tax charges.

12. Dividends

	2016 £	2015 £
Interim paid of £1.42 (2015 - £2.55) per share	96,000	172,500
	96,000	172,500
	96,000	172,500

Sanquhar Tile Services Limited

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

13. Tangible fixed assets

	Freehold property £	Plant and machinery £	Motor vehicles £	Total £
Cost or valuation				
At 1 January 2016	1,164,892	5,789,608	12,124	6,966,624
Additions	9,475	190,552	-	200,027
Disposals	-	(3,872)	-	(3,872)
At 31 December 2016	1,174,367	5,976,288	12,124	7,162,779
Depreciation				
At 1 January 2016	907,259	4,871,435	9,324	5,788,018
Charge for the period	42,646	240,122	1,400	284,168
Disposals	-	(3,872)	-	(3,872)
At 31 December 2016	949,905	5,107,685	10,724	6,068,314
Net book value				
At 31 December 2016	224,462	868,603	1,400	1,094,465
At 31 December 2015	257,633	918,173	2,800	1,178,606

14. Stocks

	2016 £	2015 £
Raw materials and consumables	1,470,616	1,351,456
Finished goods and goods for resale	619,578	649,742
	2,090,194	2,001,198

Sanquhar Tile Services Limited

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

15. Debtors

	2016 £	2015 £
Due within one year		
Trade debtors	2,203,364	2,465,497
Amounts owed by group undertakings	1,687,506	1,574,362
Other debtors	-	24,828
Prepayments and accrued income	73,815	119,189
	<u>3,964,685</u>	<u>4,183,876</u>

16. Current asset investments

	2016 £	2015 £
Fixed term deposit	500,000	-
	<u>500,000</u>	<u>-</u>

The current asset investment relates to £500,000 placed on fixed term deposit.

17. Cash and cash equivalents

	2016 £	2015 £
Cash at bank and in hand	1,892,387	1,763,292
	<u>1,892,387</u>	<u>1,763,292</u>

Included within the cash and cash equivalents figure is £500,000 within a high interest deposit account. 32 days notice must be given before funds can be withdrawn.

Sanquhar Tile Services Limited

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

18. Creditors: Amounts falling due within one year

	2016 £	2015 £
Bank loans	-	16,932
Trade creditors	1,216,408	1,551,045
Amounts owed to group undertakings	758,488	662,488
Corporation tax	180,713	295,935
Taxation and social security	565,924	593,387
Obligations under finance lease and hire purchase contracts	1,325	21,476
Other creditors	422,500	503,442
Accruals and deferred income	125,822	139,364
	<u>3,271,180</u>	<u>3,784,069</u>

The bank loan is secured over the whole assets of the company.

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

19. Deferred taxation

	2016 £
At beginning of year	(193,530)
Charged to profit or loss	13,941
Credited to other comprehensive income	86,200
At end of year	<u>(93,389)</u>

The provision for deferred taxation is made up as follows:

	2016 £	2015 £
Accelerated capital allowances	(79,238)	(83,168)
Tax losses carried forward	2,649	3,638
Pension scheme surplus	(16,800)	(114,000)
	<u>(93,389)</u>	<u>(193,530)</u>

Sanquhar Tile Services Limited

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

20. Deferred grant

	2016 £	2015 £
Government grants	6,535	12,485
	<u>6,535</u>	<u>12,485</u>

21. Share capital

	2016 £	2015 £
Shares classified as equity		
Allotted, called up and fully paid		
67,720 Ordinary shares of £1 each	<u>67,720</u>	<u>67,720</u>

22. Reserves

Profit and loss account

The profit and loss account contains all current and prior year retained earnings net of dividends paid.

23. Capital commitments

At 31 December 2016 the company had capital commitments as follows:

	2016 £	2015 £
Contracted but not provided for in these financial statements	-	24,570
	<u>-</u>	<u>24,570</u>

Sanquhar Tile Services Limited

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

24. Pension commitments

The company operates a defined benefit and defined contribution pension schemes.

The assets of the defined contribution 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 £166,941 (2015 - £200,300).

There were outstanding contributions at the end of the financial year of £24,552 (2015 - £27,029).

The defined benefit scheme offers both pensions in retirement and death benefits to members. Pension benefits are related to the members final salary at retirement and their length of service. A full actuarial valuation was carried out at 1 April 2011 and updated to 31 December 2016 by a qualified actuary. Contributions to the scheme are made by the company based on the advice of the actuary.

There were outstanding contributions at the end of the financial year of £Nil (2015 - £17,068) for category A and £Nil (2015 - £5,688) for category B.

The scheme is subject of the funding legislation outlined in the Pensions Act 2004 which came into force on 30 December 2005.

The scheme exposes the company to risks such as investment risk, interest risk, mortality risk and longevity risk. A decrease in corporate bond yields, a rise in inflation or an increase in life expectancy would result in an increase to scheme liabilities. This would detrimentally impact the balance sheet position and may give rise to increased charges in future profit and loss accounts. This effect would be partially offset by an increase in the value of the scheme's bond holdings.

Reconciliation of present value of plan liabilities:

	2016 £	2015 £
Reconciliation of present value of plan liabilities		
At the beginning of the year	(7,566,000)	(7,532,000)
Current service cost	(88,000)	(298,000)
Interest cost	(265,000)	(264,000)
Actuarial (losses)/gains	(1,560,000)	311,000
Benefits paid	431,000	217,000
At the end of the year	(9,048,000)	(7,566,000)

Sanquhar Tile Services Limited

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

24. Pension commitments (continued)

Composition of plan liabilities:

	2016 £	2015 £
Schemes wholly or partly funded	(9,048,000)	(7,566,000)
Total plan liabilities	(9,048,000)	(7,566,000)

	2016 £	2015 £
At the beginning of the year	8,136,000	7,822,000
Interest income	285,000	274,000
Contributions	13,000	233,000
Benefits paid	(431,000)	(217,000)
Actuarial gains/(losses)	1,129,000	24,000
At the end of the year	9,132,000	8,136,000

Composition of plan assets:

	2016 £	2015 £
Equities	7,062,000	6,571,000
Bonds	1,498,000	748,000
Other	572,000	817,000
Total plan assets	9,132,000	8,136,000

	2016 £	2015 £
Fair value of plan assets	9,132,000	8,136,000
Present value of plan liabilities	(9,048,000)	(7,566,000)
Net pension scheme surplus	84,000	570,000

Sanquhar Tile Services Limited

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

24. Pension commitments (continued)

The amounts recognised in profit or loss are as follows:

	2016 £	2015 £
Current service cost	88,000	298,000
Interest on asset	20,000	10,000
Total	(68,000)	(288,000)

Expenses of £46,307 (2015 - £45,000) were also recognised in profit or loss.

The company expects to contribute £185,000 to its defined contribution pension scheme in 2017.

The amount recognised in other comprehensive income in respect of actuarial gains/(losses) was £(431,000) (2015 - £335,000).

Principal actuarial assumptions at the Balance sheet date (expressed as weighted averages):

	2016 %	2015 %
Discount rate	2.7	3.7
Future salary increases	3.7	3.7
Inflation rate - RPI	3.5	3.2
Inflation rate - CPI	2.5	2.2
Future pension increases	2.2	2.2
Mortality rates		
- for a male aged 65 now	22.6	22.8
- at 65 for a male aged 45 now	24.7	24.7
- for a female aged 65 now	24.7	26.0
- at 65 for a female member aged 45 now	27.0	28.1

Sanquhar Tile Services Limited

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

25. Commitments under operating leases

At 31 December 2016 the company had future minimum lease payments under non-cancellable operating leases as follows:

	2016 £	2015 £
Not later than 1 year	65,057	76,918
Later than 1 year and not later than 5 years	70,374	133,767
Total	135,431	210,685

26. Related party transactions

Balances due by group undertakings are included in note 15. Balances due to group undertakings are included in note 18. The company has taken advantage of the exemptions to disclose group transactions as conferred by Financial Reporting Standard 102.

At 31 December 2016 the trading balance owing to the company by Marlin Contract b.v., an associate company of Styletuft Limited, was £36,959 (2015 - £65,092). Turnover arising from trading with the associated company was £92,457 (2015 - 72,856).

27. Controlling party

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.