

EURAC Poole Limited

Report and Financial Statements

Year Ended

31 December 2013

Company Number 2687523

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EURAC Poole Limited

Report and financial statements for the year ended 31 December 2013

Contents

Page:

1	Strategic Report
3	Report of the directors
5	Independent auditor's report
7	Profit and loss account
8	Balance sheet
9	Notes forming part of the financial statements

Directors

T Krosnar
H Krosnar
S J Humphrey

Company number

2687523

Secretary and registered office

J Grazebrook
Mannings Heath Road, Poole, Dorset, BH12 4NJ

Auditors

BDO LLP, Arcadia House, Maritime Walk, Ocean Village, Southampton, SO14 3TL

EURAC Poole Limited

Strategic report for the year ended 31 December 2013

The directors present their strategic report together with the audited financial statements for the year ended 31 December 2013

Business review and principal activities

The principal activity of the company is the manufacture, machining and distribution of cast metal components for the motor industry, in particular, brake discs and drums

Profits and dividend

The profit for the year after taxation amounted to £2,562,000 (2012 - £2,094,000)

The retained profit for the financial year of £2,562,000 (2012 - £2,094,000) has been transferred to reserves

The directors do not recommend the payment of a dividend

Future outlook

The business performance in 2013 was very strong with sales to the European Aftermarket. During the year the Eurac group closed down its machining operation in Dudley with the capacity being moved to Eurac Poole Ltd and Eurac Hradec sro. This has further improved the profit margins for this company.

During the year the business has also benefited from a high degree of stability in the prices of its principal raw materials and the cost of energy.

The company continues to improve on its environmental impact and to reduce the volume of waste disposal in landfill sites.

Principal risks and uncertainties

The management of the business and the execution of the company's strategy are subject to a number of risks.

The key business risks are associated with the rising prices of metal and escalating energy costs which are not always possible to be passed on in their entirety to customers through higher sales prices.

A significant proportion of the company's revenues are denominated in Euros and it is therefore exposed to the movement in the euro to pound exchange rate. These foreign exchange risks are managed through forward exchange contracts which are described below.

The company does not have significant levels of external debt and does not therefore face any significant interest rate exposure.

EURAC Poole Limited

Strategic report for the year ended 31 December 2013 (*continued*)

Key performance indicators

	2013	2012
Gross profit % sales	21.01%	21.27%
Operating profit % sales	9.54%	9.18%
Debtor days	62	96
Stock turnover	10	11

Health and Safety

The company places particular emphasis on Health and Safety and is working towards zero accidents through the introduction of new policies and an improving safety culture

Environment

All companies within the group are environmentally aware and committed to environmental improvements. The group continues to focus on environmental improvements at the UK foundry which include a significant reduction in the amount of waste disposed to landfill

Quality standards

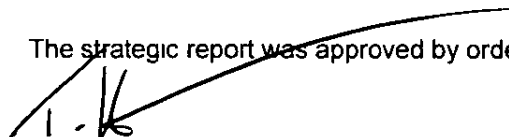
EURAC Poole Limited is accredited to ISO/TS 16949 2009, ISO 9001 2008, ISO 14001 2004

Financial instruments (ultimately managed at group level)

As almost 80% of the revenue of the Eurac group is euro based the group's financial risk management objective is to reduce fluctuations in profitability arising from the movement in sterling and euro exchange rates. The policy of the group is to provide a natural hedge where possible by matching the currencies of purchases and sales in Euros, and then to enter into forward exchange contracts for periods up to 30 months ahead. The group also sells a proportion of currency at the spot rate prevailing at the time of the transaction

Approval

The strategic report was approved by order of the Board on *FRIDAY 21ST MARCH 2014*



T Krosnar

Director

EURAC Poole Limited

Report of the directors for the year ended 31 December 2013 (*continued*)

The directors present their report together with the audited financial statements for the year ended 31 December 2013

Details of the financial risk management objectives and policies, exposure to price/credit/liquidity/cash flow risk and future developments are included in the strategic report (where relevant)

Directors

The directors who served during the year were

T Krosnar
H Krosnar
S J Humphrey

Directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

EURAC Poole Limited

Report of the directors for the year ended 31 December 2013 (*continued*)

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.

The auditors, BDO LLP, are deemed to be re-appointed in accordance with Section 487 of the Companies' Act 2006.

By order of the Board



T Krosnar
Director

Date

21/03/2014

EURAC Poole Limited

Independent auditor's report

TO THE MEMBERS OF EURAC POOLE LIMITED

We have audited the financial statements of EURAC Poole Limited for the year ended 31 December 2013 which comprise the profit and loss account, the balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditors

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2013 and of its profit for the period then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

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

EURAC Poole 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



*Christopher Driver (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
Southampton
United Kingdom*

Date *21st March 2014*

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

EURAC Poole Limited

Profit and loss account for the year ended 31 December 2013

	Note	2013 £'000	2012 £'000
Turnover	1,2	34,969	30,284
Cost of sales		(27,623)	(23,842)
Gross profit		7,346	6,442
Distribution costs		(891)	(711)
Administrative expenses		(3,118)	(2,951)
Operating profit	3	3,337	2,780
Net interest payable	4	-	(2)
Profit on ordinary activities before taxation		3,337	2,778
Taxation on profit from ordinary activities	7	(775)	(684)
Profit on ordinary activities after taxation	17,18	2,562	2,094

The company has no recognised gains or losses other than those reported above and therefore no separate statement of total recognised gains and losses has been prepared

Turnover and operating profit is derived exclusively from continuing activities

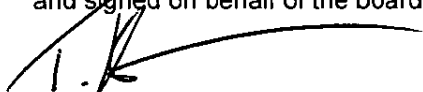
The notes on pages 8 to 19 form part of these financial statements

EURAC Poole Limited

Balance sheet at 31 December 2013

Company number 2687523	Note	2013 £'000	2013 £'000	2012	2012
Fixed assets					
Tangible assets	8		4,452		3,560
Current assets					
Stocks	9	2,434		2,179	
Debtors	10	13,749		14,602	
Cash at bank and in hand		2,075		47	
		<u>18,258</u>		<u>16,828</u>	
Creditors: amounts falling due within one year	11	<u>(6,700)</u>		<u>(6,963)</u>	
Net current assets			<u>11,558</u>		<u>9,865</u>
Total assets less current liabilities			<u>16,010</u>		<u>13,425</u>
Creditors, amounts falling due after more than one year	12		-		(3)
Provisions for liabilities	15		(45)		(19)
Net assets			<u>15,965</u>		<u>13,403</u>
Capital and reserves					
Called up share capital	16		3,650		3,650
Share premium	17		417		417
Profit and loss account	17		11,898		9,336
Shareholders' funds	18		<u>15,965</u>		<u>13,403</u>

The financial statements were approved by the Board of Directors and authorised for issue on 21/03/2014 and signed on behalf of the board by



T Krosnar
Director

The notes on pages 8 to 19 form part of these financial statements

EURAC Poole Limited

Notes forming part of the financial statements for the year ended 31 December 2013

1 Accounting policies

The financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards and the Companies Act 2006. The principal accounting policies which the directors have adopted are set out below.

Turnover

Turnover is based on sales of goods and services at invoice value, excluding value added tax and trade discounts. Revenue is recognised when title passes to the customer, which is either on despatch or on receipt by the customer.

Depreciation

Depreciation is calculated on a straight line basis so as to write off the cost (original purchase cost plus attributable costs to bring it to its present location) of fixed assets over the period of their expected useful lives. The principal rates used for these purposes are:

Freehold buildings	-	5% - 10% per annum
Plant and equipment	-	5% - 33% per annum
Assets in course of construction	-	Nil% per annum

No provision for depreciation is made against freehold land.

Stocks

Stocks are valued at the lower of cost and net realisable value. Cost is based on the cost of purchase on a first in, first out basis. In the case of manufactured products, cost includes all direct expenditure and production overheads based on the normal level of activity. 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 and, where appropriate, the cost of conversion from their existing state to a finished condition. Provision is made where necessary for obsolescent, slow moving and defective stock.

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred.

Current tax is measured at amounts expected to be paid using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on all timing differences, on a non-discounted basis, where the transaction or events that give rise to an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date.

A net deferred tax asset is regarded 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 in the foreseeable future from which the reversal of the 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.

EURAC Poole Limited

Notes forming part of the financial statements for the year ended 31 December 2013 (*continued*)

1 Accounting policies (*continued*)

Plant hire and leasing transactions

Assets acquired under finance leases or similar agreements are capitalised as fixed assets and depreciation is charged at the appropriate rates. The liabilities relevant to these assets are included in "obligations under finance leases". The rentals payable are apportioned between interest, which is charged to the profit and loss account, and capital which reduces the outstanding obligation.

All lease, rental and hire charges for other assets are written off against trading profits in the period in which they are incurred.

Foreign currencies

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction or, where forward cover contracts have been arranged, at the contracted rate. Monetary assets and liabilities denoted in foreign currencies are retranslated at the exchange rate ruling at the balance sheet date or at the contractual rate if applicable, and any exchange differences arising are taken to the profit and loss account.

Pension costs

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

The company is also a member of the defined benefits section of European Automotive Components Group Pension and Life Assurance Scheme. Pension contributions for the group scheme are based on pension costs for the group as a whole. Consequently, the company is not able to identify its share of the underlying assets and liabilities of the group scheme and charges the contributions to the profit and loss account in the period to which they relate as though the scheme was a defined contribution scheme.

Cash flow

As permitted by Financial Reporting Standard Number 1 (Revised 1996) issued by the United Kingdom Accounting Standards Board a cash flow statement has not been prepared as a consolidated cash flow statement is included in the group accounts of EURAC Holdings Limited.

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.

EURAC Poole Limited

Notes forming part of the financial statements for the year ended 31 December 2013 (continued)

2 Turnover

The geographical analysis of turnover is detailed below

	2013 £'000	2012 £'000
United Kingdom	2,981	2,744
Other EU countries	15,006	11,251
Rest of the world	39	-
Group companies	16,943	16,289
	<u>34,969</u>	<u>30,284</u>

The directors believe there is only one class of business which is the manufacture, machining and distribution of cast metal components for the motor industry, in particular, brake discs and drums

3 Operating profit

	2013 £'000	2012 £'000
Operating profit is stated after charging		
Depreciation of owned assets	552	503
Operating lease rentals		
- other assets	4	4
- plant and machinery	17	23
Auditors' remuneration		
- Statutory audit of the company's financial statements	15	14
- Tax services	3	3
	<u></u>	<u></u>

4 Net interest payable

	2013 £'000	2012 £'000
Interest payable on bank loans and overdrafts	-	2
	<u></u>	<u></u>

EURAC Poole Limited

Notes forming part of the financial statements
for the year ended 31 December 2013 (*continued*)

5 Directors' emoluments

	2013 £'000	2012 £'000
Aggregate emoluments	-	-
Amounts recharged by the immediate parent company for directors' services	567	556
	<u>567</u>	<u>556</u>

3 directors (2012 - 3) had benefits accruing under money purchase pension schemes

The amounts recharged by the immediate parent company are in respect of the services of Mrs H Krosnar, Mr T Krosnar & Mr S Humphrey

6 Employee information

The average number of persons employed by the company including executive directors during the period was

	2013 Number	2012 Number
Production	186	180
Administration and distribution	7	7
	<u>193</u>	<u>187</u>

The costs incurred in respect of these employees were

	2013 £'000	2012 £'000
Wages and salaries	5,996	5,474
Social security costs	614	556
Other pension costs (note 20)	185	174
	<u>6,795</u>	<u>6,204</u>

EURAC Limited, the company's immediate parent undertaking, made contributions of £945,653 (2012 - £915,849) to the group defined benefit scheme. These contributions were recharged to the company as part of the management fee.

EURAC Poole Limited

Notes forming part of the financial statements
for the year ended 31 December 2013 (continued)

7 Taxation on profit from ordinary activities

The tax charge represents UK corporation tax and is based on the result for the period and comprises

	2013 £'000	2013 £'000	2012 £'000	2012 £'000
<i>Current tax</i>				
UK corporation tax at 23.25 % (2012 – 24.5%)	496		642	
Group relief	260		75	
Adjustment in respect of prior years	(7)		-	
Total current tax		749		717
<i>Deferred tax (note 15)</i>				
Origination and reversal of timing differences	25		(31)	
Adjustments in respect of previous periods	8		-	
Changes in tax rate	(7)		(2)	
		26		(33)
Tax charge on profit on ordinary activities		775		684

The tax assessed for the year is lower (2012 - higher) than the standard rate of corporation tax in the UK
The differences are explained below

	2013 £'000	2012 £'000
Profit on ordinary activities before tax	3,337	2,778
Profit on ordinary activities at the standard rate of corporation tax in the UK of 23.25% (2012 - 24.5%)	776	681
Fixed asset timing differences	(17)	39
Other timing differences	(8)	(3)
Expenses not deductible for tax purposes	8	-
Over provision in respect of previous years	(7)	-
Transfer of assets from group company	(3)	-
Current tax charge for period	749	717

EURAC Poole Limited

Notes forming part of the financial statements
for the year ended 31 December 2013 (*continued*)

8 Tangible assets

	Freehold land and buildings £'000	Plant and equipment £'000	Total £'000
<i>Cost or valuation</i>			
At 1 January 2013	2,989	14,033	17,022
Additions	529	915	1,444
Disposals	-	-	-
Transfers	-	-	-
	<hr/>	<hr/>	<hr/>
At 31 December 2013	3,518	14,948	18,466
	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>			
At 1 January 2013	989	12,473	13,462
Charge for the period	22	530	552
Disposals	-	-	-
	<hr/>	<hr/>	<hr/>
At 31 December 2013	1,011	13,003	14,014
	<hr/>	<hr/>	<hr/>
<i>Net book value</i>			
At 31 December 2013	2,507	1,945	4,452
	<hr/>	<hr/>	<hr/>
At 31 December 2012	2,000	1,560	3,560
	<hr/>	<hr/>	<hr/>

Plant and equipment includes office equipment and patterns and tooling assets

9 Stock

	2013 £'000	2012 £'000
Consignment stock	45	113
Raw materials and sundry stocks	1,355	1,419
Finished goods	1,034	647
	<hr/>	<hr/>
	2,434	2,179
	<hr/>	<hr/>

In accordance with the provisions of FRS 5, included in stock is £45,154 (2012 - £113,113) in relation to raw materials held by the company under consignment. This stock remains under the legal title of the supplier. No deposit is paid on the consignment stock and payment is made with usage. An equivalent liability is also included within trade creditors.

EURAC Poole Limited

Notes forming part of the financial statements
for the year ended 31 December 2013 (*continued*)

10 Debtors

	2013 £'000	2012 £'000
Trade debtors	2,218	1,926
Amounts due from group undertakings	10,781	11,757
Other debtors	2	69
Other taxes recoverable	748	850
	<u>13,749</u>	<u>14,602</u>

Amounts due from group undertakings are unsecured, interest free and repayable on demand

11 Creditors: amounts falling due within one year

	2013 £'000	2012 £'000
Loans (secured)	3	23
Trade creditors	4,493	4,699
Bank overdraft (secured)	-	429
Amounts owed to group undertakings	273	75
Other creditors	286	227
Accruals and deferred income	1,149	868
Corporation tax	496	642
	<u>6,700</u>	<u>6,963</u>

Included within other creditors is an amount of £283,260 (2012 - £224,457) in respect of taxation and social security

Amounts due to group undertakings are unsecured, interest free and repayable on demand

Lloyds Bank plc has a legal charge over certain land and buildings owned by the company, in respect of group borrowing facilities (see note 19)

EURAC Poole Limited

Notes forming part of the financial statements for the year ended 31 December 2013 (*continued*)

12 Creditors: amounts falling due after more than one year

	2013 £'000	2012 £'000
Loans	-	3
Loans are repayable		
Within one year	3	23
In more than one year, but not more than two years	-	3
	<u>3</u>	<u>26</u>

13 Financial instruments

As almost 80% of the company's revenue is based in euros, the group's financial risk management objective is to reduce fluctuations in profitability arising from exchange rate movements. The policy of the group is to provide a natural hedge where possible by matching the currencies of purchases and sales in Euros and then to enter into forward exchange contracts for periods up to 30 months ahead. The company also sells a proportion of currency at the spot rate prevailing at the time of the transaction.

The Company had outstanding forward foreign exchange contracts at the year end as follows

	Notional principal amount	
	2013 Euro '000	2012 Euro '000
Maturity 2013		
Forward extras contracts – Sale of Euros	-	24,000
Maturity 2014		
Vanilla forward contracts – Sale of Euros	18,000	
Forward extras contracts – Sale of Euros	6,000	24,000
Maturity 2015		
Forward extras contracts – Sale of Euros	24,000	12,000
Maturity 2016		
Forward extras contracts – Sale of Euros	12,000	-

The company enters into two types of contract. A Vanilla forward specifies the exact amount of currency sold and the date that it must be delivered to the bank. A forward extra contract is a derivative contract which provides protection at an agreed exchange rate if the currency is trading outside a specific currency exchange rate range at the date of maturity. If the currency is trading within that currency exchange rate range at maturity the company is able to sell the currency at the more favourable spot exchange rate.

EURAC Poole Limited

Notes forming part of the financial statements for the year ended 31 December 2013 (continued)

14 Financial commitments

At 31 December 2013 the company had annual commitments on assets other than land and buildings under non-cancellable operating leases as follows

	2013 £'000	2012 £'000
Expiry date		
Within one year	-	1
Between two and five years	35	35
	<u>35</u>	<u>36</u>

15 Provisions for liabilities

	Deferred taxation £'000
At 1 January 2013	19
Movement in the year (note 7)	26
	<u>45</u>
Balance at 31 December 2013	

The analysis of deferred taxation is as follows

	2013 £'000	2012 £'000
Capital allowances in excess of depreciation	66	51
Short term timing differences	(20)	(32)
	<u>46</u>	<u>19</u>

16 Called up share capital

	2013 £'000	2012 £'000
<i>Allotted, issued, called up and fully paid</i>		
Equity		
3,650,000 ordinary shares of £1 each	3,650	3,650
	<u>3,650</u>	<u>3,650</u>

EURAC Poole Limited

Notes forming part of the financial statements
for the year ended 31 December 2013 (*continued*)

17 Reserves

	Share Premium £'000	Profit and loss Reserve £'000
At 1 January 2013	417	9,336
Profit for the financial year	-	2,562
	<hr/>	<hr/>
At 31 December 2013	417	11,898
	<hr/>	<hr/>

18 Reconciliation of movements in shareholders' funds

	2013 £'000	2012 £'000
Profit for the year	2,562	2,094
Dividends	-	-
	<hr/>	<hr/>
Net increase in shareholders' funds	2,562	2,094
Opening shareholders' funds	13,403	11,309
	<hr/>	<hr/>
Closing shareholders' funds	15,965	13,403
	<hr/>	<hr/>

19 Contingent liabilities

The company has given a guarantee secured on all of its assets for the bank borrowing facilities of the other members of the EURAC Limited group

EURAC Poole Limited

Notes forming part of the financial statements for the year ended 31 December 2013 (continued)

20 Pension costs

The company is a member of the defined benefit and the defined contribution sections of the European Automotive Components Limited Group Pension and Life Assurance Scheme

This is a multi-employer scheme including employees of other group companies. It is not considered possible to allocate the scheme's assets and liabilities relating to the defined benefit section between the various member companies and accordingly the defined benefit section is accounted for as though it were a defined contribution scheme

The relevant disclosures required under FRS 17 for the defined benefit section can be found in the financial statements of the ultimate UK parent undertaking, EURAC Holdings Limited

The pension cost for the year is summarised below

	2013 £'000	2012 £'000
Pension contributions paid		
Defined contribution section (note 6)	185	174

EURAC Limited, the company's immediate parent undertaking, made contributions of £945,653 (2012 £915,849) to the group defined benefit scheme. These contributions were recharged to the company as part of the management fee. It is expected that the contributions will be £974,023 next year.

21 Ultimate parent company

EURAC Limited, a company registered in England, is the company's immediate parent company.

EURAC Holdings Limited, a company registered in England, is the immediate parent undertaking of Eurac Limited.

EURAC Holdings Limited is the smallest company to prepare group accounts and copies can be obtained from the company secretary at EURAC Holdings Limited, Mannings Heath Road, Poole, Dorset, BH12 4NJ.

MAT Holdings Inc, a company registered in USA, is the company's ultimate parent company and is the largest company to prepare group accounts but these accounts are not publicly available.

22 Related party transactions

No disclosure has been made of transactions with entities that are wholly owned by EURAC Holdings Limited and are included in the consolidated group accounts, as is permitted by the exemptions available under FRS8.