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Clugston Distribution Services Limited
Strategic Report, Report of the Directors and
Financial Statements
for the Year Ended 31 January 2015

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**Contents of the Financial Statements
for the Year Ended 31 January 2015**

	Page
Company Information	1
Strategic Report	2
Report of the Directors	3
Independent Auditors' Report	4
Profit and Loss Account	5
Balance Sheet	6
Notes to the Financial Statements	7
Trading and Profit and Loss Account	14

Clugston Distribution Services Limited

Company Information for the Year Ended 31 January 2015

DIRECTORS:

M H Bales
S F Martin

SECRETARY:

M H Bales

REGISTERED OFFICE:

St Vincent House
Normanby Road
Scunthorpe
North Lincolnshire
DN15 8QT

REGISTERED NUMBER:

05517733 (England and Wales)

AUDITORS:

BDO LLP
1 Bridgewater Place
Water Lane
Leeds
LS11 5RU

**Strategic Report
for the Year Ended 31 January 2015**

The directors present their strategic report for the year ended 31 January 2015.

REVIEW OF BUSINESS

The business delivered another year of growth as turnover increased 16% from £13.2m to £15.3m – the highest level in the business in over a decade following a period of significant investment in new vehicles. However, it is disappointing to report a loss of £0.1m for the year.

During the latter part of the year a significant overhead reduction programme was implemented along with a number of rate rises from key customers and withdrawal from unprofitable contracts. We expect that the business will return to profitability in the current financial year.

The petroleum operation has expanded with a customer base of twenty clients and new operations on Teesside. We are increasing our night shift activity to maximise fleet efficiency. Whilst the steel and cement markets remain steady we are renegotiating rates and exiting unprofitable work. Within the food market we continue to secure work that better fits our network profile and better balances our resources to predicted volumes. The commercial vehicle maintenance department has continued to grow and secured a significant retail contract with a blue chip client.

Over £2 million of fleet investment was made during the latter half of 2014 including the introduction of 15 low emission and fuel efficient Renault Euro6 tractor units. The full year effect of these new assets will benefit financial performance for the whole of the coming year.

PRINCIPAL RISKS AND UNCERTAINTIES

The company operates in a highly competitive market with supply generally exceeding demand and seeks to minimise this risk by focussing on niche markets and negotiated work, whilst extending the diversity of its activities.

Health and safety, quality of offering and service deliverability are key aspects for differentiating our business and these are closely monitored by the board of directors, with corrective action taken where required to maintain our reputation and standing in the industry.

MAIN TRENDS AND FACTORS

We will maintain our commitment to providing a quality logistics service as we continue to expand our offering within the fuels, steel, bulk powder and bulk ash movement markets. We are also seeking to better utilise our resources to support our blue chip client base.

Our people's focus on delivering a safe and efficient high quality service from their continued hard work and commitment gives us confidence in our ability to deliver sustainable profits in the years ahead.

APPROVED BY THE BOARD OF DIRECTORS:



S F Martin - Director

10 April 2015

**Report of the Directors
for the Year Ended 31 January 2015**

The directors present their report with the financial statements of the company for the year ended 31 January 2015.

DIVIDENDS

No dividends will be distributed for the year ended 31 January 2015.

DIRECTORS

The directors during the period were those listed on page 1.

The company has professional indemnity insurance covering the directors and officers.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Report of the Directors, the Strategic 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website.

DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

ON BEHALF OF THE BOARD:



M H Bales - Secretary

10 April 2015

Independent Auditors' Report to the Members of Clugston Distribution Services Limited

We have audited the financial statements of Clugston Distribution Services Limited for the year ended 31 January 2015 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 Auditors' 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 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 Financial Reporting Council'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 January 2015 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

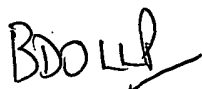
Opinion on other matter prescribed by the Companies Act 2006

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

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.



Paul Davies (Senior Statutory Auditor)
for and on behalf of BDO LLP
Leeds

23 April 2015

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

Clugston Distribution Services Limited (Registered number: 05517733)

**Profit and Loss Account
for the Year Ended 31 January 2015**

	Notes	2015 £	2014 £
TURNOVER		15,318,326	13,152,492
Cost of sales		<u>(13,568,428)</u>	<u>(11,461,400)</u>
GROSS PROFIT		1,749,898	1,691,092
Administrative expenses		<u>(1,898,981)</u>	<u>(1,818,142)</u>
OPERATING LOSS	3	(149,083)	(127,050)
Interest payable and similar charges	4	<u>(189,171)</u>	<u>(148,706)</u>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(338,254)	(275,756)
Tax on loss on ordinary activities	5	<u>135,088</u>	<u>127,425</u>
LOSS FOR THE FINANCIAL YEAR		<u><u>(203,166)</u></u>	<u><u>(148,331)</u></u>

CONTINUING OPERATIONS

None of the company's activities were acquired or discontinued during the current year or previous year.

TOTAL RECOGNISED GAINS AND LOSSES

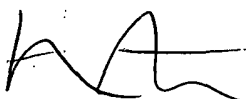
The company has no recognised gains or losses other than the losses for the current year or previous year.

Clugston Distribution Services Limited (Registered number: 05517733)

**Balance Sheet
31 January 2015**

	Notes	2015 £	2014 £
FIXED ASSETS			
Tangible assets	6	5,232,387	4,170,216
CURRENT ASSETS			
Stocks	7	114,220	144,894
Debtors	8	3,514,336	3,369,731
Cash in hand		817	1,507
		3,629,373	3,516,132
CREDITORS			
Amounts falling due within one year	9	(5,925,185)	(5,040,744)
NET CURRENT LIABILITIES		<u>(2,295,812)</u>	<u>(1,524,612)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		2,936,575	2,645,604
CREDITORS			
Amounts falling due after more than one year	10	(2,286,059)	(1,791,922)
NET ASSETS		<u>650,516</u>	<u>853,682</u>
CAPITAL AND RESERVES			
Called up share capital	13	2,000,000	2,000,000
Profit and loss account	14	(1,349,484)	(1,146,318)
SHAREHOLDERS' FUNDS	18	<u>650,516</u>	<u>853,682</u>

The financial statements were approved by the Board of Directors on 10 April 2015 and were signed on its behalf by:



S F Martin - Director

**Notes to the Financial Statements
for the Year Ended 31 January 2015**

1. ACCOUNTING POLICIES

Accounting convention

The accounts, drawn up to the last Saturday in January, are prepared in accordance with applicable accounting standards and under the historical cost convention.

Financial reporting standards

Exemption has been taken under FRS 1 from preparing a cash flow statement on the grounds that the parent company includes the subsidiary in its published financial statements.

Exemption has been taken under FRS 8 from disclosing transactions with related parties that are controlled by Clugston Group Limited.

Turnover and revenue recognition

Turnover comprises the total value of work carried out and goods and services provided in the UK after deducting VAT. Revenue is recognised when the service has been completed.

Tangible fixed assets

The cost, less estimated residual value, of tangible fixed assets is written off on a straight line basis over their expected useful lives of 3 to 15 years.

The carrying values of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Deferred tax

The charge for taxation is based on the profit or loss for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more, or a right to pay less, tax in the future have occurred at the balance sheet date. The only exception is that deferred tax assets are recognised only to the extent that the directors consider it is more likely than not there will be suitable taxable profits from which the future reversal of the underlying timing difference can be deducted.

Deferred tax is measured on a non-discounted basis at the tax rates expected to apply in the periods in which the timing differences reverse, based on the tax rates and laws enacted, or substantively enacted, at the balance sheet date.

Leased assets

Rentals in respect of operating leases are charged to the profit and loss account as incurred. Assets held under finance leases, where substantially all the risks and rewards of ownership have passed to the Company, and hire purchase contracts are capitalised in the balance sheet and depreciated over their expected useful lives. The capital elements of future obligations are included as liabilities in the balance sheet and the interest elements of the rentals are charged in the profit and loss account over the period of the contracts.

Pensions

The company and other subsidiaries of Clugston Group Limited participate in a multi-employer defined benefit pension scheme. This scheme is operated on a basis which does not enable individual companies to identify their share of the underlying assets and liabilities so, in accordance with FRS 17, the company accounts for its contributions to the plan as if it were a defined contribution scheme. Contributions to defined contribution pension schemes are charged to the profit and loss account as they become payable.

**Notes to the Financial Statements - continued
for the Year Ended 31 January 2015**

1. ACCOUNTING POLICIES - continued

Going concern

The company has net current liabilities and is dependent on continuing finance being made available by its parent undertaking to enable it to continue operating and meet its debts as they fall due. The ultimate parent undertaking has agreed to provide sufficient funds for these purposes and therefore the directors believe it is appropriate to prepare the financial statements on a going concern basis.

2. STAFF COSTS

	2015	2014
	£	£
Wages and salaries	4,864,332	4,088,210
Social security costs	479,598	417,245
Other pension costs	89,747	58,317
	<u>5,433,677</u>	<u>4,653,772</u>

Average monthly number of employees during the year

	Number of employees	
Distribution	148	123
Administration	10	10
	<u>158</u>	<u>133</u>

The directors of the company are also directors of the holding company and fellow subsidiaries. The directors received total remuneration for the year of £766,992 (2014 - £813,750), all of which was paid by the holding company. The directors do not believe that it is practical to apportion this amount between their services as directors of the company and their services as directors of the group and fellow subsidiary companies. All the directors were members of money purchase pension schemes.

3. OPERATING LOSS

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

	2015	2014
	£	£
Operating lease rentals: plant and machinery	1,033,814	716,663
land and buildings	399,721	364,080
Depreciation of tangible fixed assets	1,059,820	860,392
Profit on disposal of fixed assets	(72,611)	(51,579)
Auditors' remuneration	<u>9,600</u>	<u>5,700</u>

4. INTEREST PAYABLE AND SIMILAR CHARGES

	2015	2014
	£	£
Bank interest	79,841	68,061
Hire purchase interest	<u>109,330</u>	<u>80,645</u>
	<u>189,171</u>	<u>148,706</u>

**Notes to the Financial Statements - continued
for the Year Ended 31 January 2015**

5. TAXATION

Analysis of the tax credit

The tax credit on the loss on ordinary activities for the year was as follows:

	2015 £	2014 £
Current tax:		
UK corporation tax	(283,382)	(276,892)
Relating to prior years	<u>(2,906)</u>	<u>(4,735)</u>
Total current tax	<u>(286,288)</u>	<u>(281,627)</u>
Deferred tax:		
Deferred tax	140,769	154,202
Relating to prior years	<u>10,431</u>	<u>-</u>
Total deferred tax	<u>151,200</u>	<u>154,202</u>
Tax on loss on ordinary activities	<u>(135,088)</u>	<u>(127,425)</u>

Factors affecting the tax credit

The tax assessed for the year is lower than the standard rate of corporation tax in the UK. The difference is explained below:

	2015 £	2014 £
Loss on ordinary activities before tax	<u>(338,254)</u>	<u>(275,756)</u>
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 21.32% (2014 - 23.16%)	(72,116)	(63,893)
Effects of:		
Disallowed expenses and (non taxable income)	(61,206)	(75,431)
Accelerated capital allowances	(150,060)	(137,568)
Adjustments in respect of previous periods	<u>(2,906)</u>	<u>(4,735)</u>
Current tax credit	<u>(286,288)</u>	<u>(281,627)</u>

Factors that may affect future tax charges

On 17 July 2013 a reduction in the UK corporation tax rate from 21% to 20% from 1 April 2015 was substantively enacted. Any deferred tax expected to reverse in future years has been assumed to reverse after 1 April 2015 and has therefore been calculated using this reduced rate.

**Notes to the Financial Statements - continued
for the Year Ended 31 January 2015**

6. TANGIBLE FIXED ASSETS

	Plant and machinery £
COST	
At 1 February 2014	10,011,190
Additions	2,138,230
Disposals	<u>(979,759)</u>
At 31 January 2015	<u>11,169,661</u>
DEPRECIATION	
At 1 February 2014	5,840,974
Charge for year	1,059,820
Eliminated on disposal	<u>(963,520)</u>
At 31 January 2015	<u>5,937,274</u>
NET BOOK VALUE	
At 31 January 2015	<u>5,232,387</u>
At 31 January 2014	<u>4,170,216</u>

The net book amount of plant, equipment and vehicles above includes £3,807,298 (2014 - £2,868,072) in respect of assets held under finance leases and hire purchase contracts. The depreciation charge for the year on these assets was £690,523 (2014 - £522,255).

7. STOCKS

	2015 £	2014 £
Stores and other stock	<u>114,220</u>	<u>144,894</u>

8. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2015 £	2014 £
Trade debtors	3,002,489	2,729,295
Amounts owed by group undertakings	277,128	272,661
Deferred tax asset	97,002	248,202
Prepayments	<u>137,717</u>	<u>119,573</u>
	<u>3,514,336</u>	<u>3,369,731</u>

Deferred tax asset comprises:

	2015 £	2014 £
Accelerated capital allowances	91,205	242,370
Tax losses carried forward	3,758	3,758
Other timing differences	<u>2,039</u>	<u>2,074</u>
	<u>97,002</u>	<u>248,202</u>

**Notes to the Financial Statements - continued
for the Year Ended 31 January 2015**

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2015	2014
	£	£
Hire purchase contracts (see note 11)	884,083	632,780
Trade creditors	851,316	708,958
Amounts owed to group undertakings	3,299,256	2,874,636
Social security and other taxes	112,819	107,065
Other creditors	290,444	212,040
Accruals	487,267	505,265
	<u>5,925,185</u>	<u>5,040,744</u>

10. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2015	2014
	£	£
Hire purchase contracts (see note 11)	<u>2,286,059</u>	<u>1,791,922</u>

11. OBLIGATIONS UNDER HIRE PURCHASE CONTRACTS AND LEASES

	Hire purchase contracts	
	2015	2014
	£	£
Net obligations repayable:		
Within one year	884,083	632,780
Between one and five years	<u>2,286,059</u>	<u>1,791,922</u>
	<u>3,170,142</u>	<u>2,424,702</u>

The following operating lease payments are committed to be paid within one year:

	Other operating leases	
	2015	2014
	£	£
Expiring:		
Within one year	70,368	-
Between one and five years	<u>152,996</u>	<u>141,744</u>
	<u>223,364</u>	<u>141,744</u>

12. DEFERRED TAX

	£
Balance at 1 February 2014	(248,202)
Provided during year	140,769
Relating to previous years	<u>10,431</u>
Balance at 31 January 2015	<u>(97,002)</u>

**Notes to the Financial Statements - continued
for the Year Ended 31 January 2015**

13. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	2015 £	2014 £
2,000,000	Ordinary	£1	<u>2,000,000</u>	<u>2,000,000</u>

14. RESERVES

	Profit and loss account £
At 1 February 2014	(1,146,318)
Deficit for the year	<u>(203,166)</u>
At 31 January 2015	<u>(1,349,484)</u>

15. PENSION COMMITMENTS

The group operates several pension schemes for eligible employees. The principal scheme was a contributory defined benefit pension scheme for employees and the assets are invested in managed funds. This scheme closed to further accruals on 31 December 2011 and employees were entitled to transfer to a stakeholder scheme. The pension benefits for the company's employees are provided within group schemes with company contributions being based on pension costs across the group as a whole. As such the company is unable to identify its share of the underlying assets and liabilities and therefore, in accordance with FRS 17, contributions by the company have been treated as being made to a defined contribution scheme. The group's contributions to the scheme in the next year are expected to be around £1,008,000.

A valuation was carried out at 31 January 2015 by a qualified independent actuary to take account of the requirements of FRS 17. Full details of the scheme are contained in the accounts of Clugston Group Limited and can be summarised as follows:

	2015 £000	2014 £000	2013 £000
Present value of scheme liabilities	60,654	47,877	45,669
Fair value of scheme assets	<u>44,762</u>	<u>39,736</u>	<u>39,113</u>
Deficit in the scheme	<u>15,892</u>	<u>8,141</u>	<u>6,556</u>

16. ULTIMATE PARENT COMPANY

The parent undertaking of the group of undertakings for which group accounts are drawn up, and of which the company is a member, is Clugston Group Limited, which is also the company's ultimate parent company and controlling party. Copies of the group accounts are available from the registered office.

17. CAPITAL COMMITMENTS

	2015 £	2014 £
Contracted but not provided for in the financial statements	<u>142,000</u>	<u>1,736,000</u>

Notes to the Financial Statements - continued
for the Year Ended 31 January 2015

18. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2015 £	2014 £
Loss for the financial year	<u>(203,166)</u>	<u>(148,331)</u>
Net reduction of shareholders' funds	(203,166)	(148,331)
Opening shareholders' funds	<u>853,682</u>	<u>1,002,013</u>
Closing shareholders' funds	<u><u>650,516</u></u>	<u><u>853,682</u></u>