Aqualisa Holdings Limited

Annual report and financial statements for the year ended 31 December 2014

Registered number 08317541

Aqualisa Holdings Limited

Annual report and financial statements for the year ended 31 December 2014

Contents

Aqualisa Holdings Limited

Strategic report for the year ended 31 December 2014

The directors present their strategic report of Aqualisa Holdings Limited and its subsidiaries (the "Group") for the year ended 31 December 2014. The 2013 Group comparatives are for the period from the formation of the Group on 19 April 2013 to 31 December 2013. The 2013 company comparatives are for the period from the formation of the company on 4 December 2012 to 31 December 2013.

Principal activities

The company is the holding company of the Aqualisa Group. The Group's principal activity is, and will continue to be, the manufacture and distribution of shower systems and accessories.

Results

The results for the year show a loss after taxation of £225,000 (2013: £284,000) on sales of £36,190,000 (2013: £24,460.000). The Group showed an operating profit of £2,810,000 (2013: £1,956,000) for the year before goodwill amortisation of £993,000 (2013: £662,000).

Net assets at 31 December 2014 were £6,965,000 (2013: £7,190,000) with net current assets £8,644,000 (2013: £8,492,000).

Business Review

2014 was the first full year of trading for the Group. Turnover increased by £11,730,000 of which £2,092,000 represents an increase in the annual turnover of the trading company in the Group, Aqualisa Products Limited, and £9,638,000 is the result of the Group only being formed part way through 2013. The increase in underlying turnover resulted from the launch of new digital and mixer valves in the year, the strength of the shower market in the UK, and organisational changes made within the sales and marketing areas in 2013 and 2014. The Group's main digital products were relaunched early in 2014 and generated £2,100,000 of incremental sales in the year. Underlying gross profit margin, after allowing for the shorter period in 2013, improved from 40.5% to 41.2% as a result of the cost saving initiatives implemented throughout the year, the full year effect of which will not be realised until 2015.

During the year the group consolidated its production and distribution operations into the main trading site at Westerham which will generate further operating cost savings next year. Selling and distribution costs (after adjusting for the formation of the Group part way through the year) increased by £552,000 as a result of launch costs for the updated digital ranges and one-off re-organisation costs. Administrative expenses (excluding goodwill and after adjusting for the shorter comparative period) increased by £71,000 again as a result of costs incurred as part of the re-organisation. There were approximately £1,250,000 of one-off costs incurred in 2014 in connection with re-organisation, site consolidation and cost reduction activities which are not expected to recur in 2015.

Future outlook

2015 will see the realisation of the full effect of the cost saving activities and re-organisation made in 2014. Additional new cost saving initiatives are planned for 2015, and the final stages of the re-organisation and site consolidation activities will be completed. New ranges of electric and mixer showers, and additional complementary products for the digital shower range are planned for 2015.

Aqualisa Holdings Limited

Strategic report for the year ended 31 December 2014 (continued)

Future outlook (continued)

A new terms structure for customers to reward loyalty and brand support was introduced in 2014, and the Group is planning exciting changes to its branding and customer support activities in 2015. The continued improvement in the housing market and the increased number of house moves, are also expected to contribute to a higher demand for new showers.

The business has ambitious plans for growth, not only through new products, but also better understanding of, and engagement with, customers and installers.

Principal risks and uncertainties

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

The key business risks affecting the Group are considered to relate to the effect of the economic environment and credit availability on consumer spending as well as competition from other shower companies and groups and confidence in the housing market.

The financial structure of the Group exposes it to LIBOR interest rate, currency exchange rate and commodity price risks. The Group has forward currency contracts in place for US$ through to August 2015 covering approximately 45% of the forecast US$ expenditure, and for Euros through to December 2015 covering approximately 70% of the forecast Euro expenditure. The net currency exposure of the Group in 2015 is forecast to be approximately US$9,000,000 and Euro5,000,000.

Exposure to unhedged currency or commodity price risk is managed as part of the Group's product pricing strategy which is reviewed quarterly.

The Group does not have any interest rate hedges in place in respect of LIBOR as there are not expected to be any significant changes in rates within the next twelve months.

Key performance indicators

Given the straightforward nature of the business, the company's directors are of the opinion that analysis using KPIs other than the financial KPIs of sales, gross profit and earnings before tax which are already disclosed in the financial statements is not necessary for an understanding of the development, performance or position of the business.

By order of the Board

S P Dexter
Director
27 April 2015

Directors' report for the year ended 31 December 2014

The directors present their annual report and the audited consolidated financial statements of Aqualisa Holdings Limited for the year ended 31 December 2014. Together with its subsidiary undertakings the company will be referred to throughout this report and financial statements as "the Group".

Principal activities

The company is the ultimate holding company of the Aqualisa Group. The Group's principal activity is, and will continue to be, the manufacture and distribution of shower systems and accessories.

Review of business

The profit and loss account for the period is set out on page 8. The directors are unable to propose the payment of a dividend.

Directors and their interests

The directors of the company who were in office during the year and up to the date of signing of the financial statements are listed below:

S P Dexter	
J Halford	
D M Hollander	Appointed 3 February 2014
R C Jackson Cousin	Appointed 16 February 2015
S Knight	
B R L Palmer	
S P Webster	

Directors' Liability Insurance

As permitted by the Articles of Association, the Directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined in Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The company also purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of itself and its Directors.

Research and development

Product development and innovation is a continuous process. The Group continues to commit resources to research and development where this activity is necessary to the evolution of its business in order to keep it technologically in the forefront of the market place.

Employees

It is the policy of the Group to follow equal opportunity practices and these include the full consideration of employment prospects for the disabled. Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees. Arrangements are made,

Employees (continued)

wherever possible, for retraining employees who become disabled, to enable them to perform work identified as appropriate to their aptitudes.

The Group places importance on the contributions to be made by all employees to the progress of the Group and aims to keep them informed by the use of formal and informal meetings.

The company is an accredited Living Wage Employer.

Disclosure of information to auditors

The directors confirm so far as each director is aware:

- there is no relevant audit information of which the company's auditors are unaware; and
- each director has taken all the steps that he/she ought to have taken in his/her duty as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the Group and company 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 group and the company and of the profit or loss of the group 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and 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 Group and 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 group and the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Aqualisa Holdings Limited

Directors' report for the year ended 31 December 2014 (continued)

Registered office
The registered office of the company is at The Flyers Way, Westerham, Kent TN16 1DE.

Independent auditors
The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the next annual general meeting.

On behalf of the Board

S P Dexter
Director
27 April 2015

Independent auditors' report to the members of Aqualisa Holdings Limited

Report on the financial statements

Our opinion

In our opinion, Aqualisa Holdings Limited's group financial statements and company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2014 and of the group's loss and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

Aqualisa Holdings Limited's financial statements comprise:

- the consolidated and company balance sheets as at 31 December 2014;
- the consolidated profit and loss account for the year then ended;
- the consolidated cash flow statement for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Companies Act 2006

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

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- the company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the group's and the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report and Accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Rosemary Shapland

Rosemary Shapland (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Gatwick
30 April 2015

Aqualisa Holdings Limited

Consolidated profit and loss account for the year ended 31 December 2014

	Notes	2014	2013
		£'000	£'000
Turnover - from acquisitions	2	-	24,460
- from continuing operations		36,190	-
Total turnover		36,190	24,460
Cost of sales		(21,267)	(14,186)
Gross profit		14,923	10,274
Distribution costs		(5,527)	(3,551)
Administrative expenses – other		(6,586)	(4,232)
Administrative expenses – goodwill amortisation		(993)	(662)
Administrative expenses - total		(7,579)	(4,894)
Operating profit – from acquisitions		-	1,829
Operating profit/loss – from continuing operations		1,817	(535)
Total operating profit		1,817	1,294
Interest receivable and similar income		4	3
Interest payable and similar charges	5	(1,741)	(1,273)
Profit on ordinary activities before taxation	6	80	24
Tax on profit on ordinary activities	8	(305)	(308)
Loss for the financial year/period	21	(225)	(284)

All amounts relate to continuing operations.

The Group has no recognised gains or losses other than those disclosed in the results above and therefore no separate statement of total recognised gains and losses has been presented.

A note on historical cost profits and losses has not been included as part of these financial statements as the losses as disclosed in the profit and loss account are prepared on an unmodified historical cost basis.

Aqualisa Holdings Limited

Consolidated Balance sheet as at 31 December 2014

	Notes	2014	2013
		£'000	£'000
Fixed assets			
Intangible assets	9	**18,203**	19,196
Tangible assets	10	**1,466**	1,573
		19,669	20,769
Current assets			
Stocks	13	**4,790**	4,418
Debtors	14	**8,456**	8,037
Cash at bank and in hand		**3,656**	3,254
		16,902	15,709
Creditors: amounts falling due within one year	15	**(8,258)**	(7,217)
Net current assets		**8,644**	8,492
Total assets less current liabilities		**28,313**	29,261
Creditors: amounts falling due after more than one year	16	**(20,231)**	(20,765)
Provisions for liabilities and charges	18	**(1,117)**	(1,306)
Net assets		**6,965**	7,190
Capital and reserves			
Called up share capital	20	**-**	-
Share premium account	21	**7,474**	7,474
Profit and loss account	21	**(509)**	(284)
Total shareholders' funds	22	**6,965**	7,190

The financial statements on pages 8 to 34 were approved by the board on 27 April 2015 and signed on its behalf by:

D M Hollander
Director

S P Dexter
Director

Aqualisa Holdings Limited

Company Balance sheet as at 31 December 2014

	Notes	2014	2013
		£'000	£'000
Fixed assets			
Investments	11	**539**	539
		539	539
Current assets			
Debtors	14	**16,367**	15,741
Cash at bank and in hand		**4**	1
		16,371	15,742
Creditors: amounts falling due within one year	15	**(1,920)**	(1,427)
Net current assets		**14,451**	14,315
Total assets less current liabilities		**14,990**	14,854
Creditors: amounts falling due after more than one year	16	**(9,127)**	(8,092)
Net assets		**5,863**	6,762
Capital and reserves			
Called up share capital	20	**-**	-
Share premium account	21	**7,474**	7,474
Profit and loss account	21	**(1,611)**	(712)
Total shareholders' funds	22	**5,863**	6,762

The financial statements on pages 8 to 34 were approved by the board on 27 April 2015 and signed on its behalf by:

D M Hollander
Director

S P Dexter
Director

Aqualisa Holdings Limited

Consolidated cash flow statement for the year ended 31 December 2014

	Notes	2014 £'000	2013 £'000
Net cash inflow from operating activities	23	**3,751**	3,154
Returns on investments and servicing of finance			
Interest received		**4**	3
Interest paid		**(678)**	(526)
Net cash outflow from returns on investments and servicing of finance		**(674)**	(523)
Taxation		**(493)**	(20)
Capital expenditure			
Purchase of tangible fixed assets		**(605)**	(504)
Net cash outflow from capital expenditure		**(605)**	(504)
Acquisitions			
Purchase of subsidiary undertakings		**-**	(538)
Cash acquired with subsidiary undertakings		**-**	3,086
Net cash inflow from acquisitions	**26**	**-**	2,548
Net cash inflow before financing		**1,979**	4,486
Financing			
Issue of ordinary share capital		**-**	7,474
Decrease in bank loans		**(1,604)**	(15,858)
Increase in mezzanine loans		**-**	7,433
Decrease in loan stock		**-**	(265)
Capital element of finance lease payments		**27**	(16)
Net cash outflow from financing		**(1,577)**	(1,232)
Increase in cash	24	**402**	3,254

Notes to the financial statements for the year ended 31 December 2014

1 Principal accounting policies

The financial statements cover the year ended 31 December 2014 and have been prepared in accordance with the Companies Act 2006 and applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies, which have been applied consistently, is set out below.

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention.

Going concern

The financial statements have been prepared on a going concern basis. The group made a profit before tax of £1,073,000, prior to the amortisation of goodwill of £993,000. The directors have considered the trading to date in 2015, the current cash balances and the forecast future prospects for the group and consider that the group will continue to be able to meet its obligations in full as they fall due.

Basis of consolidation

The consolidated profit and loss account and consolidated balance sheet include the financial statements of the company and all its subsidiary undertakings, using the acquisition method of accounting, made up to 31 December 2014. The results of subsidiaries acquired are included in the consolidated profit and loss account from the date control passes. Intra-group sales and profits are eliminated on consolidation.

On acquisition of a subsidiary, all of the subsidiary's assets and liabilities that exist at the date of acquisition are recorded at their fair values reflecting their condition at that date. All changes to those assets and liabilities, and the resulting gains and losses that arise after the group has gained control of the subsidiary are charged to the post acquisition profit and loss account.

The company has taken advantage of the exemption available under section 408 of the Companies Act 2006 and not presented a profit and loss account for the company alone.

Goodwill

Goodwill arising on consolidation represents the excess of the fair value of the consideration given over the fair value of the identifiable net assets acquired.

Goodwill arising on the acquisition of subsidiaries is capitalised and amortised over an estimated useful economic life of 20 years on a straight line basis.

Goodwill impairment reviews are undertaken whenever there is an indication that an impairment may have occurred. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

1 Principal accounting policies (continued)

Turnover

Turnover, all of which originates in the United Kingdom, is the invoiced value of goods and services supplied, excluding VAT and stated after customer rebates and volume discounts. Turnover is recognised at the point of despatch of the goods or of the delivery of the services to the customer.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at historic purchase cost less accumulated depreciation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for intended use.

Depreciation on fixed assets is calculated to write off their cost over their expected useful economic lives at the following annual rates using the straight-line method.

Factory leasehold improvements	10%
F&F, plant, equipment and tooling	10% - 25%

Leases

The company enters into operating leases on company cars, computer equipment and items of plant and machinery. The leases for the computer equipment are for a term of 3 years and the minimum lease payments amount to substantially all of the fair value of the leased assets so that these leases have been accounted for as finance leases under Financial Reporting Standard No. 5.

Assets held under finance leases are initially reported as the cost of the asset with an equivalent liability categorised as appropriate under creditors due within or after one year. The assets are depreciated over the shorter of the lease term and their useful economic lives. Finance charges are allocated to accounting periods over the period of the lease to produce a constant rate of return on the outstanding balance. Rentals are apportioned between finance charges and the reduction of the liability.

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

Investments

Fixed asset investments are held at cost less any provision for permanent diminution in value.

Stocks and work in progress

Stocks are valued at the lower of cost and net realisable value. Cost includes attributable overheads where appropriate. Cost is determined on a first in first out (FIFO) basis. Net realisable value is the estimated selling price reduced by all costs of completion, marketing, selling and distribution.

Notes to the financial statements for the year ended 31 December 2014 (continued)

1 Principal accounting policies (continued)

Foreign currencies

Monetary assets and liabilities denominated in overseas currencies are translated into sterling at the rate of exchange ruling at the balance sheet date. Individual transactions are translated at the rate of exchange ruling at the date of the transaction. All exchange differences are included in the profit and loss account.

Deferred taxation

Provision is made for deferred taxation, in respect of all timing differences that have originated but not reversed by the balance sheet date. Deferred tax assets are recognised to the extent that it is considered more likely than not there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. Deferred tax assets and liabilities are not subject to discounting.

Deferred tax is measured at the 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.

Pensions

The group operates a defined contribution pension scheme and the assets of the scheme are held separately from those of the company in independently administered funds. The group's contributions to the scheme are charged in the profit and loss account in the year to which they relate.

Research and development

Expenditure on research and development is written off in the period in which it is incurred.

Debt issue costs

Debt instruments are recognised within the balance sheet at an amount equivalent to the net proceeds of issue. The costs of issue of debt instruments such as bank loans and loan stock are charged to the profit and loss account on a straight line basis over the life of instrument.

Provisions for liabilities and charges

Provisions are recognised in the balance sheet when the group has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation.

Provisions for warranties, based on historical warranty data, are recognised when the underlying products or services are sold. Provisions are not subject to discounting.

Notes to the financial statements for the year ended 31 December 2014 (continued)

2 Turnover

Turnover is analysed by geographical market as follows:

	2014	2013
	£'000	£'000
United Kingdom	**34,971**	23,368
Rest of the European Union	**640**	390
Rest of the World	**579**	702
	36,190	24,460

All turnover arose within the United Kingdom and is attributed to the manufacture and distribution of shower systems and accessories.

3 Directors' remuneration

	2014	2013
	£'000	£'000
Aggregate emoluments and benefits	**523**	213
Defined contribution pension scheme	**23**	9
Compensation for loss of office	**-**	218

Retirement benefits are accruing to one of the directors under the group's defined contribution scheme.

	2014	2013
	£'000	£'000
Highest paid director		
Aggregate emoluments and benefits	**248**	25
Defined contribution pension scheme	**-**	2
Compensation for loss of office	**-**	218

Notes to the financial statements for the year ended 31 December 2014 (continued)

4 Employee information

Staff costs, including directors' emoluments, were as follows:

	2014	2013
	£'000	£'000
Wages and salaries	**7,798**	4,771
Social security costs	**795**	482
Other pension costs	**352**	257
	8,945	5,510

The average monthly number of employees, including executive directors, during the year/period was:

	2014	2013
	£'000	Number
Production	**94**	93
Selling and distribution	**40**	41
Administration	**115**	113
	249	247

5 Interest payable and similar charges

	2014	2013
	£'000	£'000
Bank loans and overdrafts	**671**	533
Mezzanine loan interest	**1,023**	652
Finance lease interest	**-**	2
Other interest	**7**	8
Amortisation of issue costs on loans (see note 17)	**40**	78
	1,741	1,273

Notes to the financial statements for the year ended 31 December 2014 (continued)

6 Profit on ordinary activities before taxation

The profit on ordinary activities before taxation is stated after charging:

	2014	2013
	£'000	£'000
Depreciation of tangible fixed assets		
- owned assets	**678**	450
- leased assets	**2**	14
Disposal of fixed assets	**32**	-
Amortisation of goodwill	**993**	662
Operating lease rentals:		
- plant and machinery	**371**	304
- other	**447**	288
Exchange losses	**305**	13
Charitable contributions	**1**	-
Research and development costs	**668**	535
Investor management fees	**250**	-
Re-organisation costs	**964**	977
Site consolidation costs	**275**	-

Re-organisation costs consist of termination, recruitment and consultancy costs associated with organisational changes during the year. Site consolidation costs include costs associated with the closure of manufacturing and distribution operations in the Midlands and Northern Ireland.

Services provided by the group's auditors and associates

During the year/period the group obtained the following services from the group's auditors at costs as detailed below:	**2014**	2013
	£	£
Audit services		
Fees payable to company auditors for the audit of company and consolidated financial statements	**6,400**	7,500
The audit of company's subsidiaries pursuant to legislation	**60,000**	62,800
Non-audit services		
Fees payable to company's auditors and its associates for other services:		
Tax services	**12,000**	17,600
	78,400	87,900

Aqualisa Holdings Limited

Notes to the financial statements for the year ended 31 December 2014 (continued)

7 Losses of the holding company

Of the loss for the financial year, a loss of £899,000 (2013: £712,000) is dealt with in the financial statements of Aqualisa Holdings Limited. The directors have taken advantage of the exemption available under section 408 of the Companies Act 2006 and not presented a profit and loss account for the company alone.

8 Tax on profit on ordinary activities

(a) Analysis of charge in the year/period	**2014**	2013
	£'000	£'000
Current tax:		
UK corporation tax on profit of the year/period	**253**	157
Adjustments in respect of previous periods	**(41)**	-
Total current tax (see note 8b)	**212**	157
Deferred tax:		
Origination and reversal of timing differences	**71**	91
Change in the tax rate	**22**	60
Total deferred tax (see note 19)	**93**	151
Tax on profit on ordinary activities	**305**	308

(b) Factors affecting tax charge for the year/period

The tax assessed for the year/period is higher (2013; higher) than the standard rate of corporation tax in the UK of 21.50% (2013: 23.25%). The differences are explained below:	**2014**	2013
	£'000	£'000
Profit on ordinary activities before tax	**80**	24
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 21.50% (2013: 23.25%)	**17**	6
Effects of:		
Goodwill amortisation disallowed	**214**	154
Expenses not deductible for tax purposes	**47**	88
R&D tax credits	**(40)**	-
Differences between capital allowances and depreciation	**(29)**	(85)
Other timing differences	**3**	(6)
Current tax charge for the year/period (see note 8a)	**212**	157

Notes to the financial statements for the year ended 31 December 2014 (continued)

8 Tax on profit on ordinary activities (continued)

Factors affecting current and future tax charges

The UK main corporation tax rate was reduced from 23% to 21% from 1 April 2014. As a result of this, an effective rate of 21.50% has been used to calculate tax payable on taxable income in the year.

At the balance sheet date, the Finance Act 2013 had been substantively enacted confirming that the main UK corporation tax rate will be 20% from 1 April 2015. The relevant deferred tax balances have been measured at this rate.

9 Intangible assets

Group	**Goodwill arising on consolidation**
	Total £'000
As at 01 January 2014 and 31 December 2014	**19,858**
Accumulated amortisation	
As at 1 January 2014	(662)
Charge for year	(993)
At 31 December 2014	**(1,655)**
Net book value as at 1 January 2014	19,196
At 31 December 2014	**18,203**

Goodwill arising on consolidation is being amortised on a straight line basis over 20 years. This is the period over which the Directors estimate that the value of the underlying business acquired is expected to exceed the value of the underlying assets.

Company

The company has no intangible fixed assets (2013: none).

Notes to the financial statements for the year ended 31 December 2014 (continued)

10 Tangible assets

Group

	Factory leasehold improvements £'000	F&F, plant, equipment and tooling £'000	Total £'000
Cost or valuation			
At 1 January 2014	1,380	18,126	19,506
Additions	21	584	605
Disposals	(50)	(621)	(671)
At 31 December 2014	**1,351**	**18,089**	**19,440**
Accumulated depreciation			
At 1 January 2014	1,255	16,678	17,933
Disposals	(36)	(603)	(639)
Charge for year	90	590	680
At 31 December 2014	**1,309**	**16,665**	**17,974**
Net book value			
At 31 December 2014	**42**	**1,424**	**1,466**
At 31 December 2013	125	1,448	1,573

The net book value of land and buildings comprised:

	2014	2013
	£'000	£'000
Short leaseholds	**42**	125

Assets held under finance leases and capitalised in plant and machinery

	2014	2013
	£'000	£'000
Cost	**179**	151
Accumulated depreciation	**(152)**	(151)
Net book value	**27**	-

Company

The company has no tangible assets (2013: none).

Notes to the financial statements for the year ended 31 December 2014 (continued)

11 Investments

Company

Interests in group undertakings are as follows:

	Shares £'000	Costs of acquisition £'000	Total £'000
At 1 January 2014 and 31 December 2014	**-**	**539**	**539**

12 Interests in group undertakings

The following are the company's wholly owned subsidiary undertakings, all of which have been included within the consolidated financial statements:

Name of undertaking	Country of incorporation	Description of shares held	Proportion of nominal value of issued shares held by: Group %	Company %
Aqualisa Group Limited	England	£1 ordinary shares		100%
Aqualisa Finance Limited	England	£1 ordinary shares	100%	
Aqualisa Products Limited	England	£1 ordinary shares	100%	
Gainsborough Bathroom Products Limited	England	£1 ordinary shares	100%	
Hydrocast Products Limited	England	£1 ordinary shares	100%	
Goldsmith Patent Sevenoaks Limited	England	£1 ordinary shares	100%	

The principal activity of Aqualisa Group Limited and Aqualisa Finance Limited is to act as an intermediate holding company and to provide funding to its subsidiary undertakings.

The principal activity of Aqualisa Products Limited is the manufacture and distribution of shower systems and accessories.

Gainsborough Bathroom Products Limited, Hydrocast Products Limited and Goldsmith Patent Sevenoaks Limited are dormant companies.

Notes to the financial statements for the year ended 31 December 2014 (continued)

13 Stocks

Group	2014	2013
	£'000	£'000
Raw materials	**84**	180
Work in progress	**3,769**	3,495
Finished goods	**937**	743
	4,790	4,418

There is no difference (2013: no difference) between the balance sheet amount of stock and the replacement cost.

Company

The company has no stocks (2013: none).

14 Debtors

Group

	2014	2013
	£'000	£'000
Due within one year		
Trade debtors	**7,192**	6,773
Deferred tax asset (see note 19)	**443**	536
Other debtors	**7**	7
Prepayments and accrued income	**814**	721
	8,456	8,037

Notes to the financial statements for the year ended 31 December 2014 (continued)

14 Debtors (continued)

Company

	2014	2013
	£'000	£'000
Due within one year		
Amounts owed by group undertakings	**16,362**	15,741
Other taxation and social security	**5**	-
	16,367	15,741

An amount of £7,500,000 (2013: £7,500,000) due from Aqualisa Finance Limited attracts interest at 12%, all other amounts from due group undertakings are interest free. All amounts are unsecured and due on demand.

15 Creditors: amounts falling due within one year

Group

	2014	2013
	£'000	£'000
Bank loans and overdrafts	**1,502**	1,502
Unamortised issue costs	**(28)**	(39)
	1,474	1,463
Trade creditors	**4,194**	3,518
Corporation Tax	**123**	404
Other taxation and social security	**767**	602
Finance leases	**10**	1
Other creditors	**1,153**	879
Accruals and deferred income	**537**	350
	8,258	7,217

Notes to the financial statements for the year ended 31 December 2014 (continued)

15 Creditors: amounts falling due within one year (continued)

Company

	2014	2013
	£'000	£'000
Trade creditors	**-**	-
Amounts owed to group undertakings	**1,653**	1,308
Other creditors	**6**	-
Accruals and deferred income	**261**	119
	1,920	1,427

All amounts owed to group undertakings are unsecured, interest free and due on demand.

16 Creditors: amounts falling due after more than one year

Group

	2014	2013
	£'000	£'000
Bank loans	**11,146**	12,750
Mezzanine loans	**9,175**	8,152
Unamortised loan costs	**(108)**	(137)
Finance leases	**18**	-
	20,231	20,765

Notes to the financial statements for the year ended 31 December 2014 (continued)

16 Creditors: amounts falling due after more than one year (continued)

Company

	2014	2013
	£'000	£'000
Mezzanine loans	**9,175**	8,152
Unamortised loan costs	**(48)**	(60)
	9,127	8,092

17 Loans and other borrowings

Group

	2014	2013
	£'000	£'000
Bank loans	**12,648**	14,252
Mezzanine loans	**9,175**	8,152
Unamortised loan costs	**(136)**	(176)
	21,687	22,228

The borrowings disclosed above are repayable as follows:

	2014	2013
	£'000	£'000
In one year or less or on demand	**1,502**	1,502
Between one and two years	**1,500**	1,500
Between two and five years	**18,821**	4,500
In more than five years	**-**	14,902
Unamortised loan costs	**(136)**	(176)
	21,687	22,228

Notes to the financial statements for the year ended 31 December 2014 (continued)

17 Loans and other borrowings (continued)

Company

	2014	2013
	£'000	£'000
Bank loans	**-**	-
Mezzanine loans	**9,175**	8,152
Unamortised loan costs	**(48)**	(60)
	9,127	8,092

The borrowings disclosed above are repayable as follows:

	2014	2013
	£'000	£'000
Between two and five years	**9,175**	-
In more than five years	**-**	8,152
Unamortised loan costs	**(48)**	(60)
	9,127	8,092

The bank loans are secured by first, fixed and floating charges over all the assets of the group. The bank loans are repayable as follows:

Facility A	£12,648,000 between 31 March 2015 and 31 March 2018
Mezzanine Facility	£9,175,000 on 31 March 2019

The Facility A loan attracts interest at LIBOR plus 4.5% and is repayable in instalments of £750,000 on 31 March and 30 September in each year with the balance due on 31 March 2018. The Mezzanine Facility attracts PIK interest at a fixed rate of 12%.

The loan balances above are stated gross before the deduction of issue costs. Issue costs of £201,000 were netted off the loan balances on issue in accordance with FRS4 and are being expensed on a straight line basis over the weighted average life of the loans.

17 Loans and other borrowings (continued)

The remaining amounts to be amortised total £136,000. The charge in respect of amortisation of these costs and the full amortisation of the previous issue costs is included in note 5. The loan balances are comprised of the initial loan amounts drawn down and interest of £1,676,000.

On the earlier of the repayment date, a flotation or a change of control, the outstanding Mezzanine Facility plus any PIK interest shall be irrevocably released and waived in consideration for the lenders subscribing for and being issued with 20 A1 Ordinary £0.01p shares in Aqualisa Holdings Limited. On a distribution of the assets or a return of capital, the A1 shares will rank first in realising a payment equal to the amount of the Mezzanine Facility plus PIK interest at the date of conversion into A1 Ordinary £0.01p shares.

18 Provisions for liabilities

Group	**Warranty provision**
	£'000
At 1 January 2014	1,306
Charged to the profit and loss account	382
Utilised during the year	(571)
At 31 December 2014	**1,117**

The company's subsidiary Aqualisa Products Limited gives warranties on its shower systems ranging from one to five years. The provision against the expected future warranty costs is created on sale of the products. The provision will be used over the life of the products over which a warranty is provided.

Company

The company has no provisions for liabilities and charges (2013: none).

19 Deferred tax

Group	**£'000**
Opening deferred tax asset at 1 January 2014	536
Charge for the year (note 8)	(93)
At 31 December 2014	**443**

Notes to the financial statements for the year ended 31 December 2014 (continued)

19 Deferred tax (continued)

Deferred tax asset recognised / unrecognised in the financial statements is as follows:

	Amounts recognised	Amounts recognised	Amounts unrecognised	Amounts unrecognised
	2014	2013	2014	2013
	£'000	£'000	£'000	£'000
Differences between depreciation and capital allowances	**438**	530	-	-
Other timing differences	**5**	6	-	-
Losses carried forward		-	**878**	922
Deferred tax asset	**443**	536	**878**	922

A deferred tax asset of £878,000 (2013: £922,000) has not been recognised in the year due to uncertainty over the availability of future taxable profits against which this asset could be utilised.

Company

The company has no deferred tax assets (2013: none).

20 Called up share capital

	2014	2013
	£'000	£'000
Allotted and fully paid		
18,000 Ordinary A3 shares £0.01 each	-	-
20 Ordinary A2 shares £0.01 each	-	-
1,500 Ordinary B shares £0.01 shares	-	-
	-	-

Notes to the financial statements for the period ended 31 December 2013 (continued)

20 Called up share capital (continued)

On 13 May 2014, the company issued 300 B ordinary shares of £0.01 each at par value.

The ordinary A2 shares are entitled to the first £7,500,000 of available profits on a distribution, return of capital or liquidation, thereafter the A3, A2 and B shares rank pari passu.

On the earlier of the repayment date, a flotation or a change of control, the outstanding Mezzanine Facility plus any PIK interest shall be irrevocably released and waived in consideration for the lenders subscribing for and being issued with 20 A1 Ordinary £0.01p shares in Aqualisa Holdings Limited. On a distribution of the assets or a return of capital, the A1 shares will rank first in realising a payment equal to the amount of the Mezzanine Facility plus PIK interest at the date of conversion into A1 Ordinary £0.01p shares. Following the distribution to the A1 shareholders, the ordinary A2 shares are entitled to the first £7,500,000 of available profits on a distribution, return of capital or liquidation, thereafter the A3, A2 and B shares rank pari passu.

21 Reserves

Group	**Share premium account**	**Profit and loss account**
	£'000	**£'000**
At 1 January 2014	7,474	(284)
Loss for the financial year	-	(225)
At 31 December 2014	**7,474**	**(509)**

Company	**Share premium account**	**Profit and loss account**
	£'000	**£'000**
At 1 January 2014	7,474	(712)
Loss for the financial year	-	(899)
At 31 December 2014	**7,474**	**(1,611)**

Notes to the financial statements for the year ended 31 December 2014 (continued)

22 Reconciliation of movements in shareholders' funds

	Group	Company
	£'000	£'000
At 1 January 2014	7,190	6,762
Loss for the financial year	(225)	(899)
Shareholders' funds at 31 December 2014	**6,965**	**5,863**

23 Reconciliation of operating profit to net cash flow from operating activities

	2014	2013
	£'000	£'000
Continuing operations		
Operating profit/loss	1,817	(535)
Depreciation	680	-
Loss on disposal of fixed assets	32	-
Goodwill amortisation	993	-
Increase in stocks	(372)	-
Increase in debtors	(512)	-
Increase in creditors	1,302	119
Decrease in provisions	(189)	-
Net cash inflow/(outflow) from continuing operations	3,751	(416)

Acquisitions		
Operating profit	-	1,829
Depreciation	-	464
Goodwill amortisation	-	662
Increase in stocks	-	(630)
Increase in debtors	-	(613)
Increase in creditors	-	1,724
Decrease in provisions	-	(35)
Net cash inflow from acquisitions	-	3,401
Total net cashflow from operating activities	3,751	2,985

Notes to the financial statements for the year ended 31 December 2014 (continued)

24 Reconciliation of net cash flow to movement in net debt

	2014	2013
	£'000	£'000
Increase in cash in the year/period	**402**	3,254
Cash outflow due to movement in bank loans	**1,604**	15,858
Cash inflow due to movement in mezzanine loans	-	(7,433)
Cash outflow due to movement in loan stock	-	265
Cash (inflow)/outflow due to movement in finance leases	**(27)**	16
Change in debt resulting from cash flows	**1,979**	11,960
Other non-cash changes	**(1,063)**	(747)
Net debt from acquisition of Aqualisa Group	-	(30,188)
Net debt at 1 January	**(18,975)**	-
Net debt at 31 December	**(18,059)**	(18,975)

25 Analysis of changes in net debt

	At 1 January 2014	Cash flow	Other non-cash changes	At 31 December 2014
		£'000	£'000	£'000
Cash at bank and in hand	3,254	402	-	**3,656**
Bank loans	(14,136)	1,604	(28)	**(12,560)**
Mezzanine loans	(8,092)	-	(1,035)	**(9,127)**
Finance leases	(1)	(27)	-	**(28)**
Total	(18,975)	1,979	(1,063)	**(18,059)**

Notes to the financial statements for the year ended 31 December 2014 (continued)

26 Operating lease commitments

At 31 December 2014 the Group had annual commitments under non-cancellable operating leases as follows:

	Land and buildings	**Other**	Land and buildings	Other
	2014	**2014**	2013	2013
	£'000	**£'000**	£'000	£'000
Expiry date				
Within one year	**374**	**168**	30	111
Between one and five years	**-**	**174**	354	240
	374	**342**	384	351

27 Other commitments

Capital commitments - Group	**2014**	2013
	£'000	£'000
Expenditure authorised not yet contracted	**128**	95
Contracts placed for future capital expenditure not provided for in the financial statements	**99**	66

Other commitments - Company

The company is a cross-guarantor in relation to the bank loans included within the group.

28 Pension scheme

The majority of the company's employees are members of the Aqualisa Group defined contribution pension scheme. The charge in the year was £352,000 (2013: £257,000). All contributions have been remitted in accordance with the scheme. An amount of £39,000 (2013: £43,000) is included in the balance sheet reflecting December 2014 contributions payable in January 2015.

Notes to the financial statements for the year ended 31 December 2014 (continued)

29 Related party transactions

Transactions with subsidiaries since the acquisition are exempt from disclosure under the provisions of FRS 8 'Related Party transactions' as all subsidiaries are wholly owned.

Royal Bank of Scotland plc and Sankaty European Investments S.A.R.L are shareholders in the company and provide the debt financing for the group. Interest payments of £336,000 and capital repayments of £802,000 were made to each of these companies within the period.

Royal Bank of Scotland plc provide commercial banking services to the group, agency services in respect of the senior and mezzanine loans provided to the group and invoice factoring services for the company's subsidiary Aqualisa Products Limited. These services are provided as part of the normal commercial services of the bank and total payments in respect of these services were £181,000.

A payment of £57,000 was made to Sankaty in respect of costs incurred relating to the acquisition of the Aqualisa group.

Amounts of £125,000 each have been accrued in the financial statements for management fees in respect of 2014 due to Royal Bank of Scotland plc and Sankaty European Investments S.A.R.L.

30 Ultimate controlling party

The Directors consider Aqualisa Holdings Limited to be the ultimate controlling party as no shareholders hold more than 50% of the issued share capital of the company.

Aqualisa Holdings Limited is the only company which consolidates the financial statements.