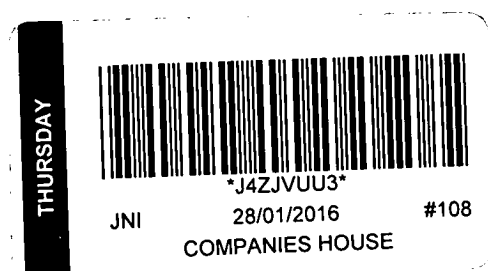
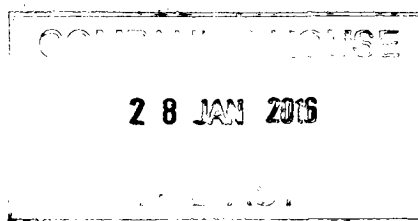


# John Hanna Limited

## Report and Financial Statements

30 April 2015



**Directors**

W J B Baird  
D W J McClean

**Secretary**

W J B Baird

**Auditors**

Ernst & Young LLP  
Bedford House  
16 Bedford Street  
Belfast BT2 7DT

**Bankers**

Ulster Bank Limited  
14/16 Market Street  
Lurgan  
Co Armagh BT66 6AP

**Solicitors**

Tughan & Co  
Marlborough House  
30 Victoria Street  
Belfast  
Co Antrim BT1 3GG

**Registered Office**

72 Shankbridge Road  
Kells  
Ballymena  
Co Antrim  
Northern Ireland BT42 3DL

Registered No. NI000168

## **Directors' report**

The directors present their report and financial statements for the year ended 30 April 2015.

### **Results and dividends**

The loss for the year after taxation amounted to £1,452,515 (2014 – loss of £11,405,004). The directors do not recommend a final dividend (2014 – £nil).

### **Principal activity and review of the business**

The principal activity of the company continued to be that of dyeing and finishing of textiles.

### **Principal risks and uncertainties**

#### **Competitive risks**

The company is reliant on a number of large end customers, both in the UK and USA, where contract renewal is very much subject to the vagaries of the retail sector in both jurisdictions and competitive pressures from Chinese fabric manufacturers.

#### **Exposure to liquidity and cash flow risks**

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. Cash flow risk is the risk of exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability. The company aims to mitigate liquidity and cash flow risk by managing cash generation by its operations through the receipt of rolling cash flow analysis for each of its subsidiary companies coupled with the setting of cash collection targets. The company also manages liquidity and cash flow risk via revolving and on demand credit facilities from its bankers.

#### **Foreign currency risks**

In addition to the UK, the Company purchases loom state linen fabric from its subsidiary factory in India. It is therefore subject to both transaction and translation foreign exchange exposure. Where possible the company attempts to match these exposures and if this is not possible, covers the risk through the use of financial instruments.

### **Directors**

The directors who served the company during the year were as follows:

W J B Baird  
D W J McClean

### **Disclosure of information to the auditors**

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the company's auditor, each director has taken all the steps that he/she is obliged to take as a director in order to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information.

## Directors' report (continued)

### Auditors

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

On behalf of the Board



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W J B Baird

Date: 28/01/16

## 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 elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and 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 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.

# **Independent auditors' report**

## **to the members of John Hanna Limited**

We have audited the financial statements of John Hanna Limited for the year ended 30 April 2015 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes 1 to 20. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

### **Respective responsibilities of directors and auditor**

As explained more fully in the Directors' Responsibilities Statement 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). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

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 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. In addition, we read all the financial and non-financial information in the Directors' report 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.

### **Opinion on the financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 April 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 Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

## Independent auditors' report (continued)

to the members of John Hanna Limited

### 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; or
- the directors were not entitled to take advantage of the small companies' exemption in not preparing the Strategic Report.



Keith Jess

for and on behalf of Ernst & Young LLP, Statutory Auditor

Belfast

Date: 28 January 2016.

## Profit and loss account

for the year ended 30 April 2015

	Notes	2015 £	2014 £
<b>Turnover</b>	2	3,745,688	2,885,077
Cost of sales		<u>(4,229,134)</u>	<u>(3,263,713)</u>
<b>Gross loss</b>		(483,446)	(378,636)
Administrative expenses		<u>(862,670)</u>	<u>(989,327)</u>
<b>Operating loss</b>	3	(1,346,116)	(1,367,963)
Exceptional items	6	3,597	(10,036,730)
Interest payable and similar charges	7	<u>(109,996)</u>	<u>(311)</u>
<b>Loss on ordinary activities before taxation</b>		(1,452,515)	(11,405,004)
Tax	8	<u>—</u>	<u>—</u>
<b>Loss for the financial year</b>	14	<u>(1,452,515)</u>	<u>(11,405,004)</u>

All amounts relate to continuing activities.

## Statement of total recognised gains and losses

for the year ended 30 April 2015

There are no recognised gains or losses other than the loss attributable to the shareholders of the company of £1,452,515 in the year ended 30 April 2015 (2014 – loss of £11,405,004).



Registered No. NI000168

**Balance sheet**

at 30 April 2015

	Notes	2015 £	2014 £
<b>Fixed assets</b>			
Tangible assets	9	101,832	139,719
<b>Current assets</b>			
Stocks	10	91,489	97,236
Debtors	11	803,590	630,942
Cash at bank and in hand		155	—
		895,234	728,178
<b>Creditors:</b> amounts falling due within one year	12	(11,185,144)	(9,603,460)
<b>Net current liabilities</b>		(10,289,910)	(8,875,282)
<b>Total assets less current liabilities</b>		(10,188,078)	(8,735,563)
<b>Net liabilities</b>		(10,188,078)	(8,735,563)
<b>Capital and reserves</b>			
Called up share capital	13	19,600	19,600
Other reserves	14	75,001	75,001
Profit and loss account	14	(10,282,679)	(8,830,164)
<b>Shareholders' deficit</b>	15	(10,188,078)	(8,735,563)


  
W J B Baird

Date:

28/01/16

## Notes to the financial statements

at 30 April 2015

### 1. Accounting policies

#### *Basis of preparation*

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards.

#### *Going concern*

The directors have prepared the financial statements on the going concern basis which assumes that the company will continue in operational existence for the foreseeable future. The Directors do not believe that there is a material uncertainty which may cast significant doubt on the company's ability to continue as a going concern and, therefore, about its ability to realise assets and discharge its liabilities in the normal course of business.

The directors have prepared projections which indicate that the group will be able to work within the banking facility for at least the next 12 months.

Based on this assessment the directors' believe that it is appropriate to prepare the financial statements of the company on a going concern basis.

#### *Statement of cash flows*

The company, being a subsidiary undertaking where 90% or more of the voting rights are controlled within the group whose group financial statements are publicly available, is exempt from the requirement to draw up a statement of cash flows in accordance with FRS 1.

#### *Turnover*

Revenue is recognised to the extent that the company obtains the right to consideration in exchange for its performance. Revenue is measured at the fair value of consideration received, excluding discounts, rebates, VAT and other sales taxes or duty.

#### *Tangible fixed assets*

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Plant and machinery	–	7%-15% straight-line
Motor vehicles	–	33.33% reducing balance
Fixtures and fittings	–	10% reducing balance

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

#### *Stocks*

Stocks and work in progress are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving stocks. Cost includes all direct costs and an appropriate proportion of fixed and variable overheads.

## Notes to the financial statements

at 30 April 2015

### 1. Accounting policies (continued)

#### *Deferred taxation*

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or right to pay less or to receive more, tax, with the following exception:

- Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

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

#### *Foreign currencies*

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date.

Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction.

Exchange gains and losses are recognised in the Profit and loss account.

#### *Leasing and hire purchase commitments*

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets. Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives. Assets acquired by hire purchase are depreciated over their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the company. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

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

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight-line basis over the period until the date the rent is expected to be adjusted to the prevailing market rate.

#### *Pensions*

The company operates a defined contribution pension scheme and the pension charge represents the amounts payable by the company to the fund in respect of the year.

## Notes to the financial statements

at 30 April 2015

### 2. Turnover

An analysis of turnover by class of business is as follows:

	2015 £	2014 £
United Kingdom	3,696,342	2,784,159
Rest of World	49,346	100,918
	<u>3,745,688</u>	<u>2,885,077</u>

### 3. Operating loss

This is stated after charging:

	2015 £	2014 £
Depreciation of owned fixed assets – owned by the company	37,887	43,080
Operating lease rentals – motor vehicles	19,172	20,815
Difference on foreign exchange	<u>113,192</u>	<u>51,172</u>

During the year, no director received any remuneration (2014 – £nil).

### 4. Auditors' remuneration

	2015 £	2014 £
Fees payable to the Company's auditor for the audit of the Company's annual financial statements	7,000	7,000
Fees payable to the Company's auditor and its associates in respect of: Other services related to taxation	<u>21,000</u>	<u>21,000</u>

### 5. Staff costs

	2015 £	2014 £
Wages and salaries	695,396	667,723
Social security costs	55,381	59,698
Other pension costs	<u>13,051</u>	<u>12,775</u>
	<u>763,828</u>	<u>740,196</u>

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

	No.	No.
Management and administration	6	6
Production and sales	<u>19</u>	<u>18</u>
	<u>25</u>	<u>24</u>

## Notes to the financial statements

at 30 April 2015

### 6. Exceptional items

	2015	2014
	£	£
Exceptional credit arising on fundamental reorganisation	3,597	10,036,730

The directors restructured a number of intercompany relationships in the prior year within the Union Street (Lurgan) Limited group. This involved the following transactions for the company;

- The novation of a loan due to Ou Parnu Linavabrik of £7,177,776 from WFB Baird & Company Limited to John Hanna Limited; and
- The release of an existing loan due to John Hanna Limited from WFB Baird & Company Limited of £2,858,954,

The combined impact of these transactions at company level in the prior year was a £10,036,730 exceptional cost to the John Hanna profit and loss account. The tax effect in the profit and loss account relating to the exceptional items recognised below operating loss is £nil (2014 – £nil).

### 7. Interest payable and similar charges

	2015	2014
	£	£
Bank loans and overdrafts	575	311
Intercompany loans	109,421	-
	<u>109,996</u>	<u>311</u>

### 8. Tax

(a) Factors affecting tax charge / (credit) for the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 20.92% (2014 – 22.83%). The differences are explained below:

	2015	2014
	£	£
Loss on ordinary activities before tax	(1,452,515)	(11,405,004)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 20.92% (2014 – 22.83%)	(303,866)	(2,603,762)
<i>Effects of:</i>		
Disallowed expenses and non-taxable income	(752)	2,291,384
Depreciation in excess of capital allowances	(11,782)	(16,939)
Short term timing differences	(151)	(30,610)
Tax losses not utilised in the current year	233,805	281,164
Group relief surrendered	82,746	78,763
Current tax for the year	<u>-</u>	<u>-</u>

(b) Factors that may affect future tax charges

HM treasury have announced their intention for the main rate of corporation tax to fall to 20% by 1 April 2015, the decrease in rate was enacted in July 2013.

## Notes to the financial statements

at 30 April 2015

### 9. Tangible fixed assets

	<i>Plant and machinery</i>	<i>Motor vehicles</i>	<i>Fixtures and fittings</i>	<i>Total</i>
	£	£	£	£
Cost:				
At 1 May 2014	5,002,987	27,075	82,654	5,112,716
Disposals	—	(8,700)	—	(8,700)
At 30 April 2015	5,002,987	18,375	82,654	5,104,016
Depreciation:				
At 1 May 2014	4,869,333	21,010	82,654	4,972,997
Charge for the year	34,562	3,325	—	37,887
Disposals	—	(8,700)	—	(8,700)
At 30 April 2015	4,903,895	15,635	82,654	5,002,183
Net book value:				
At 30 April 2015	99,092	2,740	—	101,832
At 1 May 2014	133,654	6,065	—	139,719

### 10. Stocks

	<i>2015</i>	<i>2014</i>
	£	£
Raw materials and consumables	61,992	67,050
Work in progress	29,497	30,186
	<u>91,489</u>	<u>97,236</u>

### 11. Debtors

	<i>2015</i>	<i>2014</i>
	£	£
Trade debtors	1,341	2,527
Amounts owed by group undertakings	760,665	589,241
Prepayments and accrued income	41,584	39,174
	<u>803,590</u>	<u>630,942</u>

## Notes to the financial statements

at 30 April 2015

### 12. Creditors: amounts falling due within one year

	2015	2014
	£	£
Bank loans and overdrafts	353,143	286,181
Trade creditors	54,167	66,069
Amounts owed to group undertakings	9,474,792	7,966,953
Group relief payable	1,078,091	1,078,091
Social security costs and other taxes	13,192	11,257
Accruals and deferred income	211,759	194,909
	<u>11,185,144</u>	<u>9,603,460</u>

The bank loans and overdraft are supported by letters of support from this Company and other companies in the Group.

The Company has provided cross guarantees for other group company borrowings from banks.

### 13. Issued share capital

	No.	2015	No.	2014
		£		£
<i>Allotted, called up and fully paid</i>				
Ordinary shares of £1 each	19,600	<u>19,600</u>	19,600	<u>19,600</u>

### 14. Movements on reserves

	Other reserves	Profit and loss account
	£	£
At 1 May 2014	75,001	(8,830,164)
Loss for the year	–	(1,452,515)
At 30 April 2015	<u>75,001</u>	<u>(10,282,679)</u>

### 15. Reconciliation of shareholders' funds

	2015	2014
	£	£
Opening shareholders' funds	(8,735,563)	2,669,441
Loss for the year	(1,452,515)	(11,405,004)
Closing shareholders' funds	<u>(10,188,078)</u>	<u>(8,735,563)</u>

### 16. Pensions

The Company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to £13,051 (2014 – £12,775).

## Notes to the financial statements

at 30 April 2015

### 17. Other financial commitments

At 30 April 2015 the company had annual commitments under non-cancellable operating leases as set out below:

	2015	2014
	£	£
Expiry date:		
Within one year	6,153	–
In two to five years	14,220	17,208

### 18. Contingent liabilities

A cross guarantee has been provided by John Hanna Limited on other group company borrowings.

### 19. Related party transactions

During the year the company entered into transactions, in the ordinary course of business, with other related parties. Transactions entered into during the year and trading balances outstanding at 30 April 2015, are as follows:

	2015		2014	
	<i>Amounts owed from related party</i>	<i>Amounts owed to related party</i>	<i>Amounts owed from related party</i>	<i>Amounts owed to related party</i>
	£	£	£	£
WFB Baird & Co Limited	–	758,364	–	374,936
WFB Baird & Company India Private Limited	–	1,240,597	–	414,241
Electroedit Belfast Limited	60,868	–	72,296	–
Ou Parnu Linavabrik	–	7,281,762	–	7,177,776
WF B Baird Poland S.P. Zoo	505,728	–	516,945	–
	<u>566,596</u>	<u>9,280,723</u>	<u>589,241</u>	<u>7,966,953</u>

During the year the Company incurred charges with Electroedit Belfast Limited of £308,333 (2014 – £500,000). These are included within administrative expenses.

During the year the company made sales to related parties totalling £3,731,607 (2014 – £2,860,814) and purchases from related parties amounting to £2,877,032 (2014 – £2,324,024).

### 20. Ultimate parent undertaking and controlling party

The immediate parent undertaking of the company is Ou Parnu Linavabrik, a group company incorporated in Estonia. The parent undertaking of the smallest and largest group of which the Company is a member and for which group financial statements are prepared is Union Street (Lurgan) Limited, a company incorporated in Northern Ireland. A copy of the group financial statements of Union Street (Lurgan) Limited is available from 17 Clarendon Road, Clarendon Dock, Belfast, Co Antrim, BT1 3BG.