Denby Potteries Limited

Directors' report and financial statements

for the year ended 31 December 2013

Registered number: 06784072

Company Information

Directors	Mary Lynne Okulski David Bolsher (resigned 16 January 2014) Iain Duncan Garry Biggs Richard Eaton Robert Barton Martin Duggan Christopher Emmott Paul McGowan
Company secretary	Robert Barton
Registered number	06784072
Registered office	Denby Pottery Denby Derbyshire DE5 8NX
Independent auditor	Grant Thornton UK LLP Chartered Accountants & Statutory Auditor Melton Street Euston Square London NW1 2EP
Bankers	Bank of Scotland Butt Dyke House 33 Park Row Nottingham NG1 6GY
Solicitors	Wright Hassall LLP Olympus Avenue Leamington Spa Warwickshire CV34 6BF

Contents

Directors' report
for the year ended 31 December 2013

The directors present their report and the financial statements of Denby Potteries Limited ('the company') for the year ended 31 December 2013.

Principal activities

The company's principal activity is the manufacture of premium quality casual tableware.

Results

The profit for the year, after taxation, amounted to £237,000 (2012 - £173,000).

Directors

The directors who served during the year were:

Mary Lynne Okulski
David Bolsher (resigned 16 January 2014)
Iain Duncan
Garry Biggs
Richard Eaton
Robert Barton
Martin Duggan
Christopher Emmott
Paul McGowan

Directors' responsibilities statement

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

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

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions 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.

Directors' report
for the year ended 31 December 2013

Disclosure of information to auditor

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

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

This report was approved by the board on 29 September 2014 and signed on its behalf.

G.A. Biggs

Garry Biggs
Director

Strategic report
for the year ended 31 December 2013

Business review

Demand for the company's products was strong, which, combined with focus on continuous improvement, led to an improvement in gross margin and resulted in a profit for the year, after taxation, amounting to £237,000 (2012: £173,000) was achieved. The directors do not recommend the payment of a dividend.

Key performance ratio	2013	2012
Gross margin	18.7%	18.1%

Principal risks and uncertainties

The company uses various financial instruments which include cash, other debtors, trade creditors and amounts due to group undertakings that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the company's operations. The existence of these financial instruments exposes the company to a number of financial risks, which are described in more detail below.

Liquidity risk

The company seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably.

The company's policy throughout the year has been to achieve this objective through management's day to day business decisions rather than through setting maximum or minimum liquidity ratios.

Interest rate risk

The company finances its operations through retained profits and loans from external parties and other group companies.

The interest rate exposure of the financial assets and liabilities of the company as at 31 December 2013 is shown in the balance sheet. The balance sheet includes debtors and creditors. These do not attract interest and are therefore subject to fair value interest rate risk.

Credit risk

The company's principal financial assets are cash. The credit risk associated with cash is limited as the counterparties have high credit ratings assigned by international credit-rating agencies.

This report was approved by the board on 29 September 2014 and signed on its behalf.

S.A. Biggs

Grant Thornton

Independent auditor's report to the members of Denby Potteries Limited

for the year ended 31 December 2013

We have audited the financial statements of Denby Potteries Limited for the year ended 31 December 2013, set out on pages 6 to 14. 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, 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 anc 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

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 December 2013 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other 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.

Grant Thornton

Independent auditor's report to the members of Denby Potteries Limited
for the year ended 31 December 2013

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.

Grant Thornton UK LLP

Marc Summers FCA (Senior statutory auditor)

for and on behalf of
Grant Thornton UK LLP

Chartered Accountants
Statutory Auditor

London

29 September 2014

Profit and loss account
for the year ended 31 December 2013

	Note	2013 £000	2012 £000
Turnover	1,2	**17,776**	16,477
Cost of sales		**(14,455)**	(13,489)
Gross profit		**3,321**	2,988
Selling and distribution costs		**(3,084)**	(2,815)
Profit on ordinary activities before taxation	3	**237**	173
Tax on profit on ordinary activities	5	**-**	-
Profit for the financial year	13	**237**	173

All amounts relate to continuing operations.

There were no recognised gains and losses for 2013 or 2012 other than those included in the Profit and loss account.

The notes on pages 8 to 14 form part of these financial statements.

Balance sheet
as at 31 December 2013

	Note	£000	2013 £000	£000	2012 £000
Fixed assets					
Intangible assets	6		**4,215**		4,493
Tangible assets	7		**2,011**		2,326
			6,226		6,819
Current assets					
Stocks	8	**2,560**		2,328	
Debtors	9	**6,955**		6,390	
Cash at bank		**8**		161	
		9,523		8,879	
Creditors: amounts falling due within one year	10	**(2,718)**		(2,904)	
Net current assets			**6,805**		5,975
Total assets less current liabilities			**13,031**		12,794
Creditors: amounts falling due after more than one year	11		**(12,173)**		(12,173)
Net assets			**858**		621
Capital and reserves					
Called up share capital	12		**-**		-
Profit and loss account	13		**858**		621
Shareholder's funds	14		**858**		621

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 29 September 2014.

G A Biggs

Garry Biggs
Director

The notes on pages 8 to 14 form part of these financial statements.

Notes to the financial statements
for the year ended 31 December 2013

1. Accounting policies

1.1 Basis of preparation of financial statements

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

The principal accounting policies of the company have remained unchanged from the previous year.

1.2 Cash flow

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

1.3 Turnover

Turnover comprises revenue recognised by the company in respect of goods supplied during the year, exclusive of Value Added Tax and trade discounts.

1.4 Goodwill

Goodwill is the difference between amounts paid on the acquisition of a business and the fair value of the identifiable assets and liabilities. It is amortised to the Profit and loss account over its estimated economic life.

1.5 Tangible fixed assets and depreciation

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:

Leasehold improvements	-	10% - 33% per annum
Plant and machinery	-	10% - 33% per annum
Fixtures and fittings	-	10% - 33% per annum
Assets under construction	-	Depreciated from the date they are brought into use

1.6 Operating leases

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.

1.7 Stocks and work in progress

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 is calculated as follows:

Raw materials and goods for resale - cost of purchase on a first in, and first out basis
Work in progress - cost of raw material and labour together with attributable overheads
Net realisable value - estimated selling price less further costs to completion and disposal

Notes to the financial statements
for the year ended 31 December 2013

1. Accounting policies (continued)

1.8 Deferred taxation

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation.

A net deferred tax asset is recognised only if it can be regarded as 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 assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse.

Deferred tax assets and liabilities are not discounted.

1.9 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.

1.10 Defined contribution pension scheme

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.

2. Turnover

Turnover is attributable to the principal activity of the company.

All turnover arose within the United Kingdom.

3. Profit on ordinary activities before taxation

The profit is stated after charging:

	2013	2012
	£000	£000
Amortisation - intangible fixed assets	**278**	279
Depreciation of tangible fixed assets:		
- owned by the company	**544**	588
Operating lease rentals:		
- plant and machinery	**114**	133
- other operating leases	**1,348**	1,090

During the year, no director received any emoluments (2012 - £NIL).

Notes to the financial statements
for the year ended 31 December 2013

4. Staff costs

Staff costs were as follows:

	2013 £000	2012 £000
Wages and salaries	**6,964**	6,934
Social security costs	**592**	614
Other pension costs	**239**	252
	7,795	7,800

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

	2013 No.	2012 No.
Selling and distribution	**48**	46
Production	**280**	290
	328	336

5. Taxation

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2012 - lower than) the standard rate of corporation tax in the UK of 23.25% (2012 - 24.5%). The differences are explained below:

	2013 £000	2012 £000
Profit on ordinary activities before tax	**237**	173
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 23.25% (2012 - 24.5%)	**55**	42
Effects of:		
Expenses not deductible for tax purposes	**-**	5
Capital allowances for year in excess of depreciation	**(18)**	9
Other timing differences leading to an increase (decrease) in taxation	**(5)**	-
Group relief	**(32)**	(56)
Current tax charge for the year	**-**	-

Notes to the financial statements
for the year ended 31 December 2013

6. Intangible fixed assets

	Goodwill £000
Cost	
At 1 January 2013 and 31 December 2013	**5,556**
Amortisation	
At 1 January 2013	**1,063**
Charge for the year	**278**
At 31 December 2013	**1,341**
Net book value	
At 31 December 2013	**4,215**
At 31 December 2012	4,493

7. Tangible fixed assets

	Leasehold improv'nts £000	Plant and machinery £000	Fixtures and fittings £000	Assets under construction £000	Total £000
Cost					
At 1 January 2013	**236**	**4,085**	**705**	**188**	**5,214**
Additions	**-**	**-**	**50**	**179**	**229**
Disposals	**-**	**(8)**	**-**	**-**	**(8)**
Transfer between classes	**1**	**312**	**2**	**(315)**	**-**
At 31 December 2013	**237**	**4,389**	**757**	**52**	**5,435**
Depreciation					
At 1 January 2013	**115**	**2,530**	**243**	**-**	**2,888**
Charge for the year	**24**	**434**	**86**	**-**	**544**
On disposals	**-**	**(8)**	**-**	**-**	**(8)**
At 31 December 2013	**139**	**2,956**	**329**	**-**	**3,424**
Net book value					
At 31 December 2013	**98**	**1,433**	**428**	**52**	**2,011**
At 31 December 2012	121	1,555	462	188	2,326

Notes to the financial statements
for the year ended 31 December 2013

8. Stocks

	2013 £000	2012 £000
Raw materials	**1,276**	1,289
Work in progress	**1,284**	1,039
	2,560	2,328

The difference between purchase price or production cost of stocks and their replacement cost is not material.

9. Debtors

	2013 £000	2012 £000
Amounts owed by group undertakings	**6,598**	5,841
Other debtors	**197**	160
Prepayments and accrued income	**160**	389
	6,955	6,390

10. Creditors: Amounts falling due within one year

	2013 £000	2012 £000
Trade creditors	**1,265**	1,437
Amounts owed to group undertakings	**805**	705
Other taxation and social security	**149**	278
Other creditors	**93**	119
Accruals and deferred income	**406**	365
	2,718	2,904

11. Creditors: Amounts falling due after more than one year

	2013 £000	2012 £000
Amounts owed to group undertakings	**12,173**	12,173

12. Share capital

	2013 £000	2012 £000
Allotted, called up and fully paid		
1 Ordinary share of £1	**-**	-

Notes to the financial statements
for the year ended 31 December 2013

13. Reserves

	Profit and loss account £000
At 1 January 2013	**621**
Profit for the financial year	**237**
At 31 December 2013	**858**

14. Reconciliation of movement in shareholders' funds

	2013 £000	2012 £000
Opening shareholders' funds	**621**	448
Profit for the financial year	**237**	173
Closing shareholders' funds	**858**	621

15. Contingent liabilities

Guarantees on behalf of group undertakings give rise to a contingent liability to the extent of all monies and other liabilities which are due to the company's asset finance providers.

The maximum amount of the contingency at the year end was £5,735,000 (2012: £4,510,000).

16. Capital commitments

The company had no capital commitments at 31 December 2013 or 31 December 2012.

17. Operating lease commitments

At 31 December 2013 the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings		Other	
	2013 £000	2012 £000	**2013 £000**	2012 £000
Expiry date:				
Within 1 year	-	-	**8**	11
Between 2 and 5 years	-	-	**82**	65
After more than 5 years	**1,348**	998	-	13
Total	**1,348**	998	**90**	89

Notes to the financial statements
for the year ended 31 December 2013

18. Related party transactions

The company has taken advantage of the exemption in Financial Reporting Standard 8 'Related party disclosures' and has not disclosed transactions with wholly owned members of the group headed by Denby Holdings Limited.

There were no other related party transactions.

19. Ultimate parent undertaking and controlling party

At 31 December 2013, Denby Potteries Limited was a wholly owned subsidiary of Denby Holdings Limited, a company registered in England and Wales. Valco Capital Partners II Limited Partnership had a 77.5% shareholding in Denby Holdings Limited. Valco Capital Partners II Limited Partnership is 100% owned by Hilco London Limited, a company registered in England and Wales.

The directors consider the ultimate parent undertaking and controlling party of the company to be Hilco Trading, LLC, a company registered in the United States of America, by virtue of its majority shareholding in Hilco London Limited.

The largest group of undertakings for which group accounts have been drawn up is that headed by Hilco Trading, LLC and the smallest such group of undertakings, including the company, is that headed by Denby Holdings Limited.