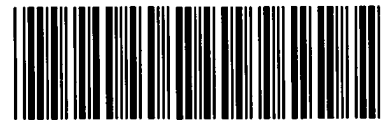


Company Registration No. 00036724 (England and Wales)

SMITH BRADBEER & COMPANY LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE PERIOD ENDED
29 JANUARY 2017

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SMITH BRADBEER & COMPANY LIMITED

COMPANY INFORMATION

Directors	A E Davies G J Davies J A Davies P L Davies R G Davies S M Robinson
Secretary	G J Davies
Company number	00036724
Registered office	14-20 Bell Street Romsey Hampshire United Kingdom SO51 8ZE
Auditor	RSM UK Audit LLP Chartered Accountants Highfield Court Tollgate Chandlers Ford Eastleigh Hampshire SO53 3TY
Bankers	Lloyds Bank Plc 6 Market Place Romsey Hampshire SO51 8YS

SMITH BRADBEER & COMPANY LIMITED

STRATEGIC REPORT

FOR THE PERIOD ENDED 29 JANUARY 2017

The directors present the strategic report for the period ended 29 January 2017.

Fair review of the business

The company achieved an inflationary increase in turnover and increased its overall level of profitability through management focus on margins and a surplus of £944K on the revaluation of investment properties.

The directors are very pleased with the results for period bearing in mind the market conditions.

The company's balance sheet was strengthened during the period due to revaluation of investment properties and the repayment of £579K of bank borrowings. The company issued £880K of preference shares during the period to assist working capital requirements.

The business is long established in three towns and so we see our risk as limited but we are not complacent. We believe the quality of our products combined with high levels of customer service will attract and retain new customers that will minimise this risk.

Principal risks and uncertainties

The company finances its operations through a mixture of retained profits and where necessary to fund expansion or capital expenditure programmes through bank borrowings. The management's objectives are to:

- retain sufficient liquid funds to enable it to meet its day to day obligations as they fall due whilst maximising returns on surplus funds; and
- minimise the company's exposure to fluctuating interest rates when seeking new borrowings; and
- match the repayment schedule of any external borrowings or overdrafts with the expected future cash flows expected to arise from the company's trading activities.

Hedge accounting is not used by the company.

As all the companies surplus funds are invested in sterling bank deposit accounts and its borrowings are all obtained from standard bank loan accounts there is no interest risk exposure.

The company's surplus funds are held primarily in short term variable rate deposit accounts with reputable UK banks. The directors believe that this gives them the flexibility to release cash resources at short notice.

Interest on the company's borrowings is charged at a variable rate, as per note 20 to the financial statements, however interest rate swaps to fix interest rates have been entered as per note 28, thereby eliminating any cash flow risk associated with changing interest payments. The directors believe the loss of ability to take advantage of falls in interest rates is more than offset by the certainty of knowing their financial commitments when managing the company's trading activities.

Development and performance

The company is continuing with a major refurbishment of its New Milton store and this will be completed during the forthcoming year.

The company will continue to look for future opportunities to acquire further retail businesses to compliment generic growth.

In May 2017 the company acquired an additional freehold trading property in New Milton at a cost of £3.2M financed by bank borrowings.

SMITH BRADBEER & COMPANY LIMITED

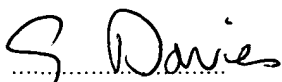
STRATEGIC REPORT (CONTINUED)

FOR THE PERIOD ENDED 29 JANUARY 2017

Key performance indicators

The gross profit margin for the period increased to 42.74% compared to 40.10% in 2016. The operating profit margin decreased to 8.32% compared to 8.74% in 2016. Turnover has grown slightly in 2017 by 2.06% compared to 6.25% in 2016.

On behalf of the board



G J Davies

Director

27/10/17

SMITH BRADBEER & COMPANY LIMITED

DIRECTORS' REPORT

FOR THE PERIOD ENDED 29 JANUARY 2017

The directors present their annual report and financial statements for the period ended 29 January 2017.

Principal activities

The principal activity of the company continued to be that of the operation of retail department stores, removals and furniture rentals.

Directors

The directors who held office during the period and up to the date of signature of the financial statements were as follows:

A E Davies
G J Davies
J A Davies
P L Davies
R G Davies
S M Robinson

Results and dividends

The results for the period are set out on page 6.

Ordinary dividends were paid amounting to £435,625 (2016 - £419,977). The directors do not recommend payment of a final dividend.

Future developments

The company will continue to focus on the development of its e-commerce offering, the refurbishment of its New Milton store and the acquisition of further retail businesses.

Auditor

RSM UK Audit LLP have indicated their willingness to be reappointed for another term and appropriate arrangements have been put in place for them to be deemed reappointed as auditors in the absence of an Annual General Meeting.

Statement of disclosure to auditor

So far as the directors are aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

Strategic report

In accordance with section 414C(11) of the Companies Act 2006, information in respect of business activities, risks and uncertainties and future developments of the business have been included within the strategic report on pages 1-2.

On behalf of the board



G J Davies

Director

27/10/17

SMITH BRADBEER & COMPANY LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE PERIOD ENDED 29 JANUARY 2017

The directors are responsible for preparing the Strategic Report and 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 judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SMITH BRADBEER & COMPANY LIMITED

Opinion on financial statements

We have audited the financial statements on pages 6 to 34. 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), including FRS102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 29 January 2017 and of its profit for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 <http://www.frc.org.uk/auditscopeukprivate>

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 period for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report or the Directors' Report.

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.

Respective responsibilities of directors and auditor

As more fully explained 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 (APB's) Ethical Standards for Auditors.

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.

RSM UK Audit Ltd

Paul Anthony (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
Highfield Court
Tollgate
Chandlers Ford
Eastleigh
Hampshire, SO53 3TY

27 October 2017

SMITH BRADBEER & COMPANY LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 29 JANUARY 2017


		Period ended 29 January 2017 £	Year ended 31 January 2016 £
	Notes		
Turnover	3	16,763,235	16,424,895
Cost of sales		(9,599,071)	(9,838,763)
Gross profit		7,164,164	6,586,132
Administrative expenses		(6,550,270)	(5,906,582)
Other operating income	4	780,230	755,889
Operating profit	7	1,394,124	1,435,439
Interest receivable and similar income		1,699	650
Interest payable and similar expenses	8	(278,836)	(338,827)
Other gains and losses	9	944,023	-
Fair value gains and losses on interest rate swap contracts		44,014	56,077
Profit on ordinary activities before taxation		2,105,024	1,153,339
Taxation	10	(405,393)	(72,967)
Profit for the financial period	30	1,699,631	1,080,372
Other comprehensive income net of taxation			
Revaluation of tangible fixed assets		(90,222)	135,000
Total comprehensive income for the period		1,609,409	1,215,372

The profit and loss account has been prepared on the basis that all operations are continuing operations.

SMITH BRADBEER & COMPANY LIMITED**BALANCE SHEET****AS AT 29 JANUARY 2017**

	Notes	2017		2016	
		£	£	£	£
Fixed assets					
Tangible assets	13	6,435,095		6,607,321	
Investment properties	14	11,900,000		10,955,977	
Investments	15	-		10,000	
		<u>18,335,095</u>		<u>17,573,298</u>	
Current assets					
Stocks	16	2,330,467	2,182,550		
Debtors falling due after one year	17	1,673,276	2,163,276		
Debtors falling due within one year	17	1,725,156	461,052		
Cash at bank and in hand		28,128	62,816		
		<u>5,757,027</u>	<u>4,869,694</u>		
Creditors: amounts falling due within one year	18	<u>(5,796,147)</u>	<u>(4,744,037)</u>		
Net current (liabilities)/assets		<u>(39,120)</u>		<u>125,657</u>	
Total assets less current liabilities		<u>18,295,975</u>		<u>17,698,955</u>	
Creditors: amounts falling due after more than one year	19	(4,794,522)	(5,615,657)		
Provisions for liabilities	23	(903,854)	(796,595)		
Net assets		<u><u>12,597,599</u></u>		<u><u>11,286,703</u></u>	
Capital and reserves					
Called up share capital	25	66,667	66,667		
Revaluation reserve	27	193,450	283,672		
Fair value reserves	28	5,434,906	4,309,757		
Capital redemption reserve	29	40,877	40,877		
Profit and loss reserves	30	6,861,699	6,585,730		
Total equity		<u><u>12,597,599</u></u>		<u><u>11,286,703</u></u>	

The financial statements were approved by the board of directors and authorised for issue on 27/10/17 and are signed on its behalf by:



G J Davies
Director



SMITH BRADBEER & COMPANY LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 29 JANUARY 2017

	Notes	Share capital £	Revaluation reserve £	Capital redemption reserve £	Fair value reserves £	Profit and loss reserves £	Total £
Balance at 1 February 2015		66,667	148,672	40,877	4,253,680	5,981,412	10,491,308
Period ended 31 January 2016:							
Profit for the period		-	-	-	-	1,080,372	1,080,372
Other comprehensive income net of taxation:							
Revaluation of tangible fixed assets		-	135,000	-	-	-	135,000
Total comprehensive income for the period		-	135,000	-	-	1,080,372	1,215,372
Dividends	11	-	-	-	-	(419,977)	(419,977)
Transfers		-	-	-	56,077	(56,077)	-
Balance at 31 January 2016		66,667	283,672	40,877	4,309,757	6,585,730	11,286,703
Period ended 29 January 2017:							
Profit for the period		-	-	-	-	1,699,631	1,699,631
Other comprehensive income net of taxation:							
Revaluation of tangible fixed assets		-	(90,222)	-	-	-	(90,222)
Total comprehensive income for the period		-	(90,222)	-	-	1,699,631	1,609,409
Dividends	11	-	-	-	-	(435,625)	(435,625)
Transfers		-	(137,112)	-	1,125,149	(988,037)	-
Impairment		-	137,112	-	-	-	137,112
Balance at 29 January 2017		66,667	193,450	40,877	5,434,906	6,861,699	12,597,599

SMITH BRADBEER & COMPANY LIMITED

STATEMENT OF CASH FLOWS

FOR THE PERIOD ENDED 29 JANUARY 2017

	Notes	2017 £	£	2016 £	£
Cash flows from operating activities					
Cash generated from operations	31	698,895		1,030,136	
Interest paid		(278,836)		(338,827)	
Income taxes refunded/(paid)		50,302		(299,667)	
Net cash inflow from operating activities		470,361		391,642	
Investing activities					
Purchase of tangible fixed assets		(309,074)		(350,331)	
Purchase of investment property		-		(5,977)	
Proceeds on disposal of fixed asset investments		10,000		-	
Interest received		1,699		650	
Net cash used in investing activities		(297,375)		(355,658)	
Financing activities					
Issue of preference shares		880,000		-	
Proceeds of new bank loans		-		1,074,391	
Repayment of bank loans		(579,188)		(906,386)	
Payment of finance leases obligations		(129,534)		(64,968)	
Dividends paid		(435,625)		(419,977)	
Net cash used in financing activities		(264,347)		(316,940)	
Net decrease in cash and cash equivalents		(91,361)		(280,956)	
Cash and cash equivalents at beginning of period		50,940		331,896	
Cash and cash equivalents at end of period		(40,421)		50,940	
Relating to:					
Cash at bank and in hand		28,128		62,816	
Bank overdrafts included in creditors payable within one year		(68,549)		(11,876)	

SMITH BRADBEER & COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 29 JANUARY 2017

1 Accounting policies

Company information

Smith Bradbeer & Company Limited is a private company limited by shares incorporated in England and Wales. The registered office is 14-20 Bell Street, Romsey, Hampshire, United Kingdom, SO51 8ZE.

The company's principal activities and nature of its operations are disclosed in the Directors' Report.

Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006, including the provisions of the Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, and under the historical cost convention, modified to include the revaluation of freehold properties and to include investment properties and certain financial instruments at fair value.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The accounting period was shortened to 29 January 2017 to align with the company's weekly reporting. As a result of the shortening of the accounting period by two days, the comparative amounts presented in the financial statements (including the related notes) are still comparable.

Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

Turnover

Turnover represents amounts receivable from sales in the two department stores, two furniture stores and services rendered for furniture removals, exclusive of VAT and trade discounts.

Income from furniture sales is recognised at the point of delivery, exclusive of VAT and trade discounts.

Storage rental income is received and recognised in the quarter to which it relates.

Rental income

Rental income is received and recognised in the quarter to which it relates to. If any rental income is received in advance of the relevant rental period then the balance is deferred until the period it relates to.

Rentals payable under operating leases, including any lease incentives received, are charged to income on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

Dividends

Dividends are recognised as liabilities once they are no longer at the discretion of the Company.

SMITH BRADBEER & COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 29 JANUARY 2017

1 Accounting policies (Continued)

Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Land and buildings Freehold	no charge in the year
Land and buildings Long Leasehold	Shorter of the life of the lease or 2% straight line
Plant, machinery and motor vehicles	15%-25% reducing balance or straight line
Fixtures & fittings	12.5%-25% straight line or reducing balance

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

Properties whose fair value can be measured reliably are held under the revaluation model and are carried at a revalued amount, being their fair value at the date of valuation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The fair value of the land and buildings is usually considered to be their market value.

Revaluation gains and losses are recognised in other comprehensive income and accumulated in equity, except to the extent that a revaluation gain reverses a revaluation loss previously recognised in profit or loss or a revaluation loss exceeds the accumulated revaluation gains recognised in equity; such gains and losses are recognised in profit or loss.

Investment properties

Investment property, which is property held to earn rentals and/or for capital appreciation, is measured using the fair value model and stated at its fair value as the reporting end date. The surplus or deficit on revaluation is recognised in the profit and loss account.

Where fair value cannot be achieved without undue cost or effort, investment property is accounted for as tangible fixed assets.

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

SMITH BRADBEER & COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 29 JANUARY 2017

1 Accounting policies (Continued)

Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

Stocks held for distribution at no or nominal consideration are measured at the lower of replacement cost and cost, adjusted where applicable for any loss of service potential.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

Cash and cash equivalents

Cash and cash equivalents are basic financial instruments and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Fair value measurement of financial instruments

Cash and cash equivalents are basic financial instruments and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

Basic financial assets

Basic financial assets, which include trade and other debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the financial asset is measured at the present value of the future receipts discounted at a market rate of interest.

Other financial assets

Other financial assets, including trade investments, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

SMITH BRADBEER & COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 29 JANUARY 2017

1 Accounting policies (Continued)

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including trade and other creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Other financial liabilities

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments where the contractual returns, repayment of the principal, or other terms (such as prepayment provisions or term extensions) do not meet the conditions to be measured at amortised cost, are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Derecognition of financial liabilities

Financial liabilities are derecognised when, and only when, the company's contractual obligations are discharged, cancelled, or they expire.

SMITH BRADBEER & COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 29 JANUARY 2017

1 Accounting policies (Continued)

Equity instruments

Equity instruments issued by the company are recorded at the fair value of proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

Derivatives

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to fair value at each reporting end date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognised as a financial asset, whereas a derivative with a negative fair value is recognised as a financial liability.

To qualify for hedge accounting, the Company documents the hedged item, the hedging instrument and the hedging relationship between them, and the causes of hedge ineffectiveness (such as different maturities, nominal amounts or variable rates, and counterparty credit risk).

The Company elects to adopt hedge accounting for interest rate swaps where:

- the interest rate swap is a qualifying hedging instrument with an external party that hedges interest rate risk on a loan, part of the nominal amount of a loan, or a group of loans managed together that share the same risk and that qualify as a hedged item;
- the hedging relationship between the interest rate swap and the interest rate risk on the loan is consistent with the risk management objectives for undertaking hedges (i.e. to manage the risk that fixed interest rates become unfavourable in comparison to current market rates or the variability in cash flows arising from variable interest rates); and
- the change in the fair value of the interest rate swap is expected to move inversely to the change in the fair value of the interest rate risk on the loan.

Taxation

The tax expense represents the sum of the current tax expense and deferred tax expense. Current tax assets are recognised when tax paid exceeds the tax payable.

Current and deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited to other comprehensive income or equity, when the tax follows the transaction or event it relates to and is also charged or credited to other comprehensive income, or equity.

Current tax assets and current tax liabilities and deferred tax assets and deferred tax liabilities are offset, if and only if, there is a legally enforceable right to set off the amounts and the entity intends either to settle on the net basis or to realise the asset and settle the liability simultaneously.

Current tax is based on taxable profit for the year. Current tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted by the reporting period.

SMITH BRADBEER & COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 29 JANUARY 2017

1 Accounting policies (Continued)

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax liabilities are recognised in respect of all timing differences that exist at the reporting date. Timing differences are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in different periods from their recognition in the financial statements. Deferred tax assets are recognised only to the extent that it is probable that they will be recovered by the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is recognised on income and expenses from subsidiaries, associates, branches and interests in jointly controlled entities, that will be assessed to or allow for tax in a future period except where the company is able to control the reversal of the timing difference and it is probable that the timing difference will not reverse in the foreseeable future.

Deferred tax is recognised on differences between the value of assets (other than goodwill) and liabilities recognised in a business combination and the amounts that can be deducted or assessed for tax. The deferred tax recognised is adjusted against goodwill.

For non-depreciable assets measured using the revaluation model and investment properties measured at fair value (except investment property with a limited useful life held by the company to consume substantially all of its economic benefit), deferred tax is measured using the tax rates and allowances that apply to the sale of the asset or property.

Employee benefits

The costs of employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Retirement benefits

For defined contribution schemes the amount charged to profit or loss is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets at the lower of the assets fair value at the date of inception and the present value of the minimum lease payments. The related liability is included in the balance sheet as a finance lease obligation. Lease payments are treated as consisting of capital and interest elements. The interest is charged to the profit and loss account so as to produce a constant periodic rate of interest on the remaining balance of the liability.

SMITH BRADBEER & COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 29 JANUARY 2017

1 Accounting policies (Continued)

Provisions

Provisions are recognised when the Company has an obligation at the reporting date as a result of a past event which it is probable will result in the transfer of economic benefits and that obligation can be estimated reliably.

Provisions are measured at the best estimate of the amounts required to settle the obligation. Where the effect of the time value of money is material, the provision is based on the present value of those amounts, discounted at the pre-tax discount rate that reflects the risks specific to the liability. The unwinding of the discount is recognised within interest payable and similar charges.

2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Key sources of estimation uncertainty

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

Stock

A provision is made in order to account for old stock items. Stock is aged by the season that it relates to, only stock items in the current season and previous season are included in the stock valuation. Any items of old stock are fully provided for in the stock valuation calculations.

Valuations

Following professional valuations the freehold properties have been uplifted to reflect their market value. These revaluations have been included in the accounts.

3 Turnover and other revenue

An analysis of the company's turnover is as follows:

	2017 £	2016 £
Turnover analysed by class of business		
Retail sales	15,998,457	15,771,053
Removals, furniture rentals and storage income	764,778	653,842
	<u>16,763,235</u>	<u>16,424,895</u>

SMITH BRADBEER & COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 29 JANUARY 2017

3 Turnover and other revenue (Continued)

Turnover analysed by geographical market

	2017 £	2016 £
UK	16,763,235	16,424,895

4 Other operating income

Included within other operating income is rental income of £780,230 (2016 - £748,321).

5 Employees

The average monthly number of persons (including directors) employed by the company during the period was:

	2017 Number	2016 Number
Directors	6	6
Office and management	16	15
Sales assistants/removals	195	188
	217	209

Their aggregate remuneration comprised:

	2017 £	2016 £
Wages and salaries	3,185,923	2,965,756
Social security costs	214,565	196,729
Pension costs	28,716	27,880
	3,429,204	3,190,365

In addition to the employees disclosed above, there were also 32 (2016 - 35) concession staff working within the department stores. These staff are not employed by Smith Bradbeer & Company Limited.

6 Directors' remuneration

	2017 £	2016 £
Remuneration for qualifying services	126,636	122,337
Company pension contributions to defined contribution schemes	14,522	15,103
	141,158	137,440

SMITH BRADBEER & COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 29 JANUARY 2017

6 Directors' remuneration (Continued)

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 3 (2016 - 3).

7 Operating profit

	2017 £	2016 £
Operating profit for the period is stated after charging/(crediting):		
Fees payable to the company's auditor for the audit of the company's financial statements	21,350	17,600
Depreciation of owned tangible fixed assets	188,874	125,655
Depreciation of tangible fixed assets held under finance leases	57,097	39,174
Impairment of owned tangible fixed assets	384,668	-
Loss on disposal of tangible fixed assets	1,920	3,318
Cost of stocks recognised as an expense	9,478,133	9,733,078
Operating lease charges	486,833	516,000
	<u> </u>	<u> </u>

8 Interest payable and similar expenses

	2017 £	2016 £
Interest on financial liabilities measured at amortised cost:		
Interest on bank overdrafts and loans	202,787	249,702
Dividends on preference shares	66,880	61,600
Other interest on financial liabilities	(8,342)	21,873
	<u> </u>	<u> </u>
	261,325	333,175
Other finance costs:		
Interest on finance leases and hire purchase contracts	17,511	5,652
	<u> </u>	<u> </u>
	278,836	338,827
	<u> </u>	<u> </u>

9 Other gains and losses

	2017 £	2016 £
Changes in the fair value of investment properties	944,023	-
	<u> </u>	<u> </u>

10 Taxation

	2017 £	2016 £
Current tax		
UK corporation tax on profits for the current period	301,002	161,839
Adjustments in respect of prior periods	(2,868)	(18,204)
	<u> </u>	<u> </u>
Total current tax	298,134	143,635
	<u> </u>	<u> </u>

SMITH BRADBEER & COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 29 JANUARY 2017

10 Taxation (Continued)

Deferred tax		
Origination and reversal of timing differences	139,366	106,597
Changes in tax rates	(44,969)	(76,667)
Adjustment in respect of prior periods	12,862	(100,598)
	<u>107,259</u>	<u>(70,668)</u>
Total deferred tax	107,259	(70,668)
	<u><u>405,393</u></u>	<u><u>72,967</u></u>
Total tax charge	405,393	72,967

The total tax charge for the period included in the profit and loss account can be reconciled to the profit before tax multiplied by the standard rate of tax as follows:

	2017	2016
	£	£
Profit before taxation	<u>2,105,024</u>	<u>1,153,339</u>
Expected tax charge based on the standard rate of corporation tax in the UK of 20.00% (2016: 20.16%)	421,005	232,532
Tax effect of expenses that are not deductible in determining taxable profit	43,742	27,076
Adjustments in respect of prior years	9,994	(118,802)
Reduction in rate of deferred tax	(69,348)	(67,839)
	<u>405,393</u>	<u>72,967</u>
Taxation for the period	405,393	72,967

11 Dividends

	2017	2016
	£	£
Interim paid	<u>435,625</u>	<u>419,977</u>

Dividends have been paid throughout the year in accordance with the various classes of shares (Note 25).

Amounts paid in respect of preference shares have been included within interest and charged to the profit and loss, as preference shares are classified as liabilities.

SMITH BRADBEER & COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 29 JANUARY 2017

12 Impairments

Impairment tests have been carried out where appropriate and the following impairment losses have been recognised in profit or loss:

	2017 £	2016 £
In respect of:		
Property, plant and equipment	384,668	-
	<u>384,668</u>	<u>-</u>
Recognised in:		
Administrative expenses	384,668	-
	<u>384,668</u>	<u>-</u>

13 Tangible fixed assets

	Land and buildings Freehold £	Land and buildings Long Leasehold £	Plant, machinery and motor vehicles £	Fixtures & fittings £	Total £
Cost or valuation					
At 1 February 2016	5,589,267	400,332	786,641	2,247,644	9,023,884
Additions	-	-	101,987	311,455	413,442
Disposals	-	-	(21,028)	(84,868)	(105,896)
At 29 January 2017	<u>5,589,267</u>	<u>400,332</u>	<u>867,600</u>	<u>2,474,231</u>	<u>9,331,430</u>
Depreciation and impairment					
At 1 February 2016	162	116,863	544,364	1,755,173	2,416,562
Depreciation charged in the period	30	51,634	63,812	130,495	245,971
Impairment losses	337,778	-	-	-	337,778
Eliminated in respect of disposals	-	-	(19,289)	(84,687)	(103,976)
At 29 January 2017	<u>337,970</u>	<u>168,497</u>	<u>588,887</u>	<u>1,800,981</u>	<u>2,896,335</u>
Carrying amount					
At 29 January 2017	<u>5,251,297</u>	<u>231,835</u>	<u>278,713</u>	<u>673,250</u>	<u>6,435,095</u>
At 31 January 2016	<u>5,589,105</u>	<u>283,470</u>	<u>242,276</u>	<u>492,470</u>	<u>6,607,321</u>

SMITH BRADBEER & COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 29 JANUARY 2017

13 Tangible fixed assets (Continued)

The net carrying value of tangible fixed assets includes the following in respect of assets held under finance leases:

	2017 £	2016 £
Plant, machinery and motor vehicles	229,413	177,773
Fixtures & fittings	16,598	20,966
	<u>246,011</u>	<u>198,739</u>
Depreciation charge for the period in respect of leased assets	<u>57,097</u>	<u>39,174</u>

If revalued assets were stated on an historical cost basis rather than a fair value basis, the total amounts included would have been as follows:

	2017 £	2016 £
Cost	6,982,874	6,982,874
Accumulated depreciation	(1,234,776)	(1,096,937)
Carrying value	<u>5,748,098</u>	<u>5,885,937</u>

The Company has pledged land and buildings, having a net book value of £5,483,132 to secure its bank loans (note 20) by way of a fixed charge.

More information on the impairment arising in the period is given in note 12.

Included within the freehold land and buildings balance of £5,251,297 are assets that have been revalued. The total revaluation carried out by CBRE Limited in April 2017 resulted in an impairment of £337,778, of which £247,556 is included in administration costs and £90,222 is included in reserves.

Included within the leasehold land and buildings balance of £400,332 are assets that have been revalued. The total revaluation carried out by Jones Lang LaSalle on one property in June 2015 was £50,000.

CBRE Limited, Jones Lang LaSalle and Daniells Harrison Chartered Surveyors are not connected with the company and all valuations have been made on an open market basis by reference to market evidence of transaction prices for similar properties.

SMITH BRADBEER & COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 29 JANUARY 2017

14 Investment property

	2017 £
Fair value	
At 1 February 2016	10,955,977
Net gains or losses through fair value adjustments	944,023
At 29 January 2017	<u>11,900,000</u>

The fair value of one of the investment properties has been arrived at on the basis of a valuation carried out in April 2017 with other properties revalued in November 2016 by Jones Lang La Salle, who are not connected with the company. The valuations were made on an open market value basis by reference to market evidence of transaction prices for similar properties.

The Company has pledged all of its investment property to secure general banking facilities granted to the Company by way of a fixed charge.

If investment properties were stated on an historical cost basis rather than a fair value basis, the amounts would have been included as follows:

	2017 £	2016 £
Cost	6,342,564	6,342,564
Accumulated depreciation	(1,072,215)	(945,364)
Carrying amount	<u>5,270,349</u>	<u>5,397,200</u>

15 Fixed asset investments

	2017 £	2016 £
Unlisted investments	<u>-</u>	<u>10,000</u>

SMITH BRADBEER & COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 29 JANUARY 2017

15 Fixed asset investments (Continued)

Movements in fixed asset investments

	Investments other than loans £
Cost or valuation	
At 1 February 2016 & 29 January 2017	10,000
Impairment	
At 1 February 2016	-
Disposals	10,000
At 29 January 2017	10,000
Carrying amount	
At 29 January 2017	-
At 31 January 2016	10,000

16 Stocks

	2017 £	2016 £
Finished goods and goods for resale	2,330,467	2,182,550

During the period, an impairment loss on finished goods and goods for resale of £60,540 (2016 - gain of £38,628) was recognised within cost of sales. No earlier stock write downs have been reversed during the current, or preceding, period.

17 Debtors

	2017 £	2016 £
Amounts falling due within one year:		
Trade debtors	65,959	56,812
Corporation tax recoverable	-	47,433
Other debtors	1,317,636	-
Prepayments and accrued income	341,561	356,807
	1,725,156	461,052

SMITH BRADBEER & COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 29 JANUARY 2017

17 Debtors (Continued)

	2017 £	2016 £
Amounts falling due after more than one year:		
Other debtors	1,673,276	2,163,276
Total debtors	3,398,432	2,624,328

During the period, an impairment loss of £4,568 (2016 - £14,460) was recognised in respect of trade receivables due from customers who are known to be in financial difficulty and from whom payment was overdue by more than three months.

18 Creditors: amounts falling due within one year

	Notes	2017 £	2016 £
Bank loans and overdrafts	20	657,247	613,983
Obligations under finance leases	22	100,798	73,277
Preference shares	20	1,980,000	1,100,000
Payments received on account		460,786	567,855
Trade creditors		928,838	1,027,313
Corporation tax		301,003	-
Other taxation and social security		566,088	487,158
Derivative financial instruments		128,017	172,031
Other creditors		207,126	242,532
Accruals and deferred income		466,244	459,888
		5,796,147	4,744,037

Bank overdraft of £68,549 (2016 - £11,876) is secured by a floating charge on all assets of the company.

SMITH BRADBEER & COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 29 JANUARY 2017

19 Creditors: amounts falling due after more than one year

	Notes	2017 £	2016 £
Bank loans and overdrafts	20	4,545,659	5,111,438
Obligations under finance leases	22	48,026	100,712
Other creditors		200,837	403,507
		<u>4,794,522</u>	<u>5,615,657</u>

Amounts included above which fall due after five years are as follows:

Payable by instalments	2,190,867	2,158,277
	<u>2,190,867</u>	<u>2,158,277</u>

20 Borrowings

	2017 £	2016 £
Bank loans	5,134,357	5,713,545
Bank overdrafts	68,549	11,876
Preference shares	1,980,000	1,100,000
	<u>7,182,906</u>	<u>6,825,421</u>
Payable within one year	2,637,247	1,713,983
Payable after one year	<u>4,545,659</u>	<u>5,111,438</u>

The bank loans and overdraft of £5,202,906 (2016 - £5,725,421) are secured by way of fixed and floating charges over the assets of the company.

One bank loan is repayable over 15 years. Interest is payable at 2% above base rate for the first seven years of the loan and then (is payable) at 2.25% above base rate for the remainder of the term.

The second bank loan is repayable over 15 years. Interest is payable at 2.25% above base rate for the first year of the loan and then (is payable) at 2.5% above base rate for the remainder of the term.

The third bank loan is repayable over 10 years. Interest is payable at 2.1% above base rate for the full term of the loan.

Preference shares are redeemable at the option of either the company or the holder of the shares after 31 January 2011. Preference shares have no voting rights attracted to them. Preference shares attract an annual dividend at 4.8% per annum. During the period £880,000 (2016 - £nil) preference shares were issued.

SMITH BRADBEER & COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 29 JANUARY 2017

21 Financial instruments

	2017	2016
Carrying amount of financial assets		
Debt instruments measured at amortised cost	3,056,871	2,220,088
Equity instruments measured at cost less impairment	-	10,000
	<u> </u>	<u> </u>
Carrying amount of financial liabilities		
Measured at fair value through profit or loss		
- Other financial liabilities	128,017	172,031
Measured at amortised cost	9,595,561	9,700,505
	<u> </u>	<u> </u>

22 Finance lease obligations

	2017 £	2016 £
Future minimum lease payments due under finance leases:		
Less than one year	100,798	73,277
Between one and five years	48,026	100,712
	<u> </u>	<u> </u>
	148,824	173,989
	<u> </u>	<u> </u>

Finance lease payments represent rentals payable by the company for certain items of plant and machinery. Leases include purchase options at the end of the lease period, and no restrictions are placed on the use of the assets. The average lease term is 3 years. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

Obligations under hire purchase contracts £148,824 (2016 - £173,989) are secured on the assets to which they relate.

23 Provisions for liabilities

	Notes	2017 £	2016 £
Deferred tax liabilities	24	903,854	796,595
		<u> </u>	<u> </u>
		903,854	796,595
		<u> </u>	<u> </u>

SMITH BRADBEER & COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 29 JANUARY 2017

24 Deferred taxation

Deferred tax assets and liabilities are offset where the company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	Liabilities 2017 £	Liabilities 2016 £
Balances:		
Accelerated capital allowances	265,785	245,967
Revaluations	644,765	602,330
Other timing differences	(6,696)	(51,702)
	<u>903,854</u>	<u>796,595</u>
Movements in the period:		2017 £
Liability at 1 February 2016		796,595
Charge to profit or loss		107,259
		<u>903,854</u>
Liability at 29 January 2017		<u>903,854</u>

Of the deferred tax liability set out above £37,996 is expected to reverse within 12 months and relates to accelerated capital allowances that are expected to mature within the same period.

SMITH BRADBEER & COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 29 JANUARY 2017

25 Share capital

	2017 £	2016 £
Ordinary share capital		
Issued and fully paid		
66,670 'A' Ordinary shares of of 10p each	6,667	6,667
66,670 'B' Ordinary shares of of 10p each	6,667	6,667
466,330 C,D,G,H,J,L,M,R,S Ordinary non-voting shares of of 10p each	46,633	46,633
10,000 G1, G2, G3, G4, G5 Ordinary non-voting shares of of 10p each	1,000	1,000
10,000 H1, H2, H3, H4 Ordinary non-voting shares of of 10p each	1,000	1,000
10,000 J1, J2, J3 Ordinary non-voting shares of of 10p each	1,000	1,000
10,000 L1, L2, L3 Ordinary non-voting shares of of 10p each	1,000	1,000
10,000 M1, M2, M3, M4 Ordinary non-voting shares of of 10p each	1,000	1,000
7,000 R1, R2, R3 Ordinary non-voting shares of of 10p each	700	700
10,000 S1, S2, S3, S4 Ordinary non-voting shares of of 10p each	1,000	1,000
	<u>66,667</u>	<u>66,667</u>

The preference shares are classified as liabilities and their terms are set out in note 20.

Shares rank pari-passu in all respects except for the provisions relating to voting rights set out below.

The 'C, D, G, H, J, L, M, R, S' Ordinary shares are non-voting shares. The 'G1, G2, G3, G4, G5, H1, H2, H3, H4, J1, J2, J3, L1, L2, L3, M1, M2, M3, M4, R1, R2, R3, S1, S2, S3 and S4' Ordinary shares are also non-voting.

26 Retirement benefit schemes

	2017 £	2016 £
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	<u>28,716</u>	<u>27,880</u>

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

There were no outstanding contributions due at the end of the year.

SMITH BRADBEER & COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 29 JANUARY 2017

27 Revaluation reserve

	2017 £	2016 £
At beginning of period	283,672	148,672
Revaluation (deficit)/surplus arising in the period	(90,222)	135,000
Transfer to retained earnings	(137,112)	-
Other movements	137,112	-
At end of period	<u>193,450</u>	<u>283,672</u>

The cumulative revaluation gains and losses in respect of land and buildings, except revaluation gains and losses relating to investment properties which are recognised in profit or loss. This reserve is non-distributable.

28 Fair value reserves

	Revaluation of investment properties £	Interest rate swaps £	Total £
At 1 February 2015	4,481,788	(228,108)	4,253,680
Movement in fair value	-	56,077	56,077
At 29 January 2016	<u>4,481,788</u>	<u>(172,031)</u>	<u>4,309,757</u>
Movement in fair value	944,023	44,014	988,037
Transfer to revaluation reserve	137,112	-	137,112
At 29 January 2017	<u>5,562,923</u>	<u>(128,017)</u>	<u>5,434,906</u>

Movements relating to assets held at fair value and representing the non-distributable portion of cumulative profit and losses.

29 Capital redemption reserve

	2017 £	2016 £
At beginning and end of period	<u>40,877</u>	<u>40,877</u>

The nominal value of shares repurchased and still held at the end of the reporting period. This reserve is non-distributable

SMITH BRADBEER & COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 29 JANUARY 2017

30 Profit and loss reserves

	2017 £	2016 £
At the beginning of the period	6,585,730	5,981,412
Profit for the period	1,699,631	1,080,372
Dividends	(435,625)	(419,977)
Transfer to reserves	(988,037)	(56,077)
At the end of the period	6,861,699	6,585,730

31 Cash generated from operations

	2017 £	2016 £
Profit for the period after tax	1,699,631	1,080,372
Adjustments for:		
Taxation charged	405,393	72,967
Finance costs	278,836	338,827
Investment income	(1,699)	(650)
Loss on disposal of tangible fixed assets	1,920	3,318
Fair value gains and losses on interest rate swaps	(44,014)	(56,077)
Depreciation and impairment of tangible fixed assets	630,639	164,829
Other gains and losses on investment property	(944,023)	-
Movements in working capital:		
(Increase)/decrease in stocks	(147,917)	50,901
(Increase)/decrease in debtors	(821,537)	23,268
(Decrease) in creditors	(358,334)	(647,619)
Cash generated from operations	698,895	1,030,136

SMITH BRADBEER & COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 29 JANUARY 2017

32 Operating lease commitments

Lessee

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2017 £	2016 £
Within one year	529,000	482,667
Between two and five years	2,079,250	1,864,000
In over five years	2,004,417	2,410,667
	<u>4,612,667</u>	<u>4,757,334</u>

Lessor

At the reporting end date the company had contracted with tenants for the following minimum lease payments:

	2017 £	2016 £
Within one year	777,087	739,361
Between two and five years	2,864,363	2,977,691
In over five years	8,147,139	8,779,023
	<u>11,788,589</u>	<u>12,496,075</u>

33 Capital commitments

Amounts contracted for but not provided in the financial statements:

	2017 £	2016 £
Acquisition of tangible fixed assets	-	220,000
	<u>-</u>	<u>220,000</u>

SMITH BRADBEER & COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 29 JANUARY 2017

34 Related party transactions

Remuneration of key management personnel

The remuneration of key management personnel, who are also directors, is as follows.

	2017 £	2016 £
Aggregate compensation	153,037	146,565

Transactions with related parties

	Rental payments		Dividends	
	2017 £	2016 £	2017 £	2016 £
Other related parties	479,000	481,000	435,625	419,977
	<u>479,000</u>	<u>481,000</u>	<u>435,625</u>	<u>419,977</u>

Preference share dividends

2017 £	2016 £
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66,880	61,600
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<u>66,880</u>	<u>61,600</u>
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These are related parties of the Company because of common directorship.

The following amounts were outstanding at the reporting end date:

Amounts owed to related parties

	2017 £	2016 £
Other related parties	49,808	162,854
	<u>49,808</u>	<u>162,854</u>

SMITH BRADBEER & COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 29 JANUARY 2017

34 Related party transactions (Continued)

The following amounts were outstanding at the reporting end date:

	Amounts owed by related parties 2017		Amounts owed by related parties 2016	
	Balance £	Net £	Balance £	Net £
Other related parties	3,028,681	3,028,681	2,163,276	2,163,276
	<u>3,028,681</u>	<u>3,028,681</u>	<u>2,163,276</u>	<u>2,163,276</u>

These are related parties of the Company because of common directorship.

35 Events after the reporting date

The company purchased two new stores for £3.22m and £0.29m after the balance sheet date. These store purchases were not committed to at the period end. The store purchase of £3.22m has been financed from new bank borrowings.

36 Controlling party

The company is under the joint control of the Davies family by virtue of their shareholdings.

37 Directors' transactions

At the year end P L Davies and A E Davies had directors' current accounts with the company. The balance due to the directors at 29 January 2017 was £nil (2016 - £107,696) and £113,524 (2016 - £78,954) respectively. The maximum amount owed in the year was £139,026 (2016 - £129,537) and £113,524 (2016 - £99,217) respectively.

At the year end G J Davies was owed £777 (2016 - £nil) by the company. The maximum amount owed in the year was £777 (2016 - £nil).

During the year dividends totalling £117,153 (2016 - £262,156) were paid to the directors of the company.

During the year an interest free loan totalling £437,636 was made jointly to P Davies and H Davies. At the balance sheet date this balance was owed to the company, but was repaid in full during October 2017.

SMITH BRADBEER & COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) **FOR THE PERIOD ENDED 29 JANUARY 2017**

38 Financial instruments

The Company uses interest rates swaps to manage its exposure to interest rate movements on its bank borrowings as follows:

Contracts with nominal values of £1,000,000 (2016 - £1,000,000) fix interest payments on variable rate debts at an average rate of 3.76% (2016 - 3.76%) for periods up until 2019.

Contracts with nominal values of £2,000,000 (2016 - £2,000,000) fix interest payments on variable rate debts at an average rate of 2.80% (2016 - 2.80%) for periods up until 2020.