



WILSON SANDFORD LTD

Chartered Accountants

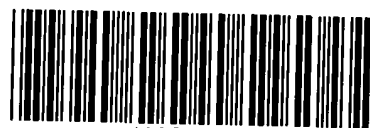
Statutory Auditors & Business Advisors

Capital (Hair and Beauty) Limited

Financial Statements

31 December 2016

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Capital (Hair and Beauty) Limited

Financial Statements

Year ended 31 December 2016

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Capital (Hair and Beauty) Limited

Officers and Professional Advisers

The board of directors

P Vans Agnew
H Vans Agnew
S J Vans Agnew
R G Vans Agnew
D J Harrison
H A Sleet

Company secretary

P Vans Agnew

Registered office

Capital (Hair & Beauty) Ltd
Crowhurst Corner
Crowhurst Road
Brighton
East Sussex
BN1 8AP

Auditor

Wilson Sandford Limited
Chartered accountant & statutory auditor
85 Church Road
Hove
East Sussex
BN3 2BB

Bankers

Barclays Bank Plc
PO Box 2915
Brighton
East Sussex
BN1 1SJ

Capital (Hair and Beauty) Limited

Strategic Report

Year ended 31 December 2016

Overall the directors are pleased with the result for 2016, sales growth has continued to remain strong at over 7% with the gross margin improving by over 1.5% compared to the prior year. Sales in the core store business continued the trend seen in the second half of 2015 and overall sales growth in the core UK business was 3% for the year. Sales in the Irish business grew strongly at 68% due to the impact of the acquisition of the business of ESS Ltd in 2016 but also due to a strong result in the existing stores and growth on the Irish website.

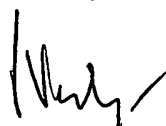
The group seeks to keep employees involved with and informed about the progress of the business. This is achieved through weekly and quarterly communications to all staff along with quarterly meetings for store management. The company continues to link store managers remuneration to profitability generated by the stores they run. The company has policies and procedures in place to ensure staff with disabilities are treated equally, these policies are intrinsic to the recruitment process in addition to ongoing employment.

During the year, the property investment made by the company was converted from equity to a debt basis resulting in a total gain in the group of £342k, further details are given in notes 10 and 18.

Since the year end, the company has acquired 100% of the share capital of M&S supplies (Liverpool) Ltd, a company with a similar business model to the existing operation (note 29). This gives the business a further nine locations in a number of major cities, mainly in the North East.

The company places particular importance in maintaining positive relations with all suppliers, in particular aiming to comply with suppliers' credit terms. At 31 December 2016, the trade creditor days outstanding were 36 days.

This report was approved by the board of directors on 07.09.17 and signed on behalf of the board by:



P Vans Agnew
Director

Capital (Hair and Beauty) Limited

Directors' Report

Year ended 31 December 2016

The directors present their report and the financial statements of the group for the year ended 31 December 2016.

Directors

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

P Vans Agnew
H Vans Agnew
S J Vans Agnew
R G Vans Agnew
D J Harrison
H A Sleet

Dividends

Particulars of recommended dividends are detailed in note 15 to the financial statements.

Future developments

Future developments are detailed in the Strategic Report.

Employment of disabled persons

The group gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a disabled person. Where existing employees become disabled, it is the group's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to disabled employees wherever appropriate.

Employee involvement

Employee involvement is detailed in the Strategic Report.

Financial instruments

The financial risk management objectives and policies of the company and the company's exposure to price risk, credit risk, liquidity risk and cash flow risk are not considered to be material for the assessment of the assets, liabilities, financial position and profit of the company.

Events after the end of the reporting period

Particulars of events after the reporting date are detailed in note 29 to the financial statements.

Overseas branches

The company has a branch in the Republic of Ireland.

Directors' responsibilities statement

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

Capital (Hair and Beauty) Limited

Directors' Report *(continued)*

Year ended 31 December 2016

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 group and the company and the profit or loss of the group for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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.

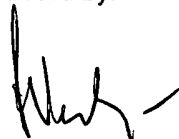
Auditor

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as they are aware, there is no relevant audit information of which the group and the company's auditor is unaware; and
- they have taken all steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the group and the company's auditor is aware of that information.

The auditor is deemed to have been re-appointed in accordance with section 487 of the Companies Act 2006.

This report was approved by the board of directors on 07.09.17 and signed on behalf of the board by:



P Vans Agnew
Director

Capital (Hair and Beauty) Limited

Independent Auditor's Report to the Members of Capital (Hair and Beauty) Limited

Year ended 31 December 2016

We have audited the financial statements of Capital (Hair and Beauty) Limited for the year ended 31 December 2016 which comprise the consolidated income statement, consolidated statement of financial position, company statement of financial position, consolidated statement of changes in equity, company statement of changes in equity, consolidated statement of cash flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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 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 group's and the parent 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 strategic report and 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 financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2016 and of the group's 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.

Capital (Hair and Beauty) Limited

Independent Auditor's Report to the Members of Capital (Hair and Beauty) Limited *(continued)*

Year ended 31 December 2016

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- 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; and
- the strategic report and the directors' report has been prepared in accordance with applicable legal requirements.

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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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.



Lorna Overstall FCA (Senior Statutory Auditor)

For and on behalf of
Wilson Sandford Limited
Chartered accountant & statutory auditor
85 Church Road
Hove
East Sussex
BN3 2BB

28/09/2017

Capital (Hair and Beauty) Limited

Consolidated Income Statement

Year ended 31 December 2016

| | | 2016 | | | 2015 | | |
|--|-----------|-------------------------------|------------------------------|-------------------------|-------------------------------|------------------------------|-------------------------|
| | Note | Continuing operations £ | Discont'd operations £ | Total £ | Continuing operations £ | Discont'd operations £ | Total £ |
| Turnover | 4 | 40,166,086 | – | 40,166,086 | 37,452,204 | – | 37,452,204 |
| Cost of sales | | 23,571,943 | – | 23,571,943 | 22,565,565 | – | 22,565,565 |
| Gross profit | | 16,594,143 | – | 16,594,143 | 14,886,639 | – | 14,886,639 |
| Distribution costs | | 380,268 | – | 380,268 | 300,809 | – | 300,809 |
| Administrative expenses | | 11,376,224 | – | 11,376,224 | 11,310,041 | – | 11,310,041 |
| Other operating income | 5 | 46,200 | – | 46,200 | 49,490 | – | 49,490 |
| Operating profit | 6 | 4,883,851 | – | 4,883,851 | 3,325,279 | – | 3,325,279 |
| Income from joint ventures | 11 | 750,000 | – | 750,000 | – | – | – |
| Share of profit of associates | 18 | – | 34,478 | 34,478 | – | 54,631 | 54,631 |
| Share of profit of joint ventures | 18 | 153,869 | – | 153,869 | 421,197 | – | 421,197 |
| Other interest receivable and similar income | 12 | 127,939 | – | 127,939 | 88,601 | – | 88,601 |
| Interest payable and similar expenses | 13 | 111 | – | 111 | 33 | – | 33 |
| Profit before taxation | | 5,915,548 | 34,478 | 5,950,026 | 3,835,044 | 54,631 | 3,889,675 |
| Tax on profit | 14 | 1,197,775 | 6,896 | 1,204,671 | 928,416 | 10,926 | 939,342 |
| Profit for the financial year | | <u>4,717,773</u> | <u>27,582</u> | <u>4,745,355</u> | <u>2,906,628</u> | <u>43,705</u> | <u>2,950,333</u> |

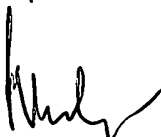
The group has no other recognised items of income and expenses other than the results for the year as set out above.

The notes on pages 13 to 28 form part of these financial statements.

Capital (Hair and Beauty) Limited
Consolidated Statement of Financial Position
31 December 2016

| | Note | 2016 £ | 2015 £ |
|---|------|-------------------|-------------------|
| Fixed assets | | | |
| Intangible assets | 16 | 1,441,999 | 1,851,471 |
| Tangible assets | 17 | 4,699,218 | 4,335,789 |
| Investments: | 18 | | |
| Investments in associates | | – | 329,530 |
| Investments in joint-ventures | | 1,782,078 | 1,659,125 |
| | | <u>7,923,295</u> | <u>8,175,915</u> |
| Current assets | | | |
| Stocks | 19 | 8,044,140 | 6,810,683 |
| Debtors | 20 | 2,671,737 | 2,197,169 |
| Cash at bank and in hand | | 8,873,414 | 8,524,875 |
| | | <u>19,589,291</u> | <u>17,532,727</u> |
| Creditors: amounts falling due within one year | 21 | <u>6,300,232</u> | <u>5,222,561</u> |
| Net current assets | | <u>13,289,059</u> | <u>12,310,166</u> |
| Total assets less current liabilities | | <u>21,212,354</u> | <u>20,486,081</u> |
| Provisions | 22 | <u>106,067</u> | <u>125,149</u> |
| Net assets | | <u>21,106,287</u> | <u>20,360,932</u> |
| Capital and reserves | | | |
| Called up share capital | 26 | 7,874 | 7,874 |
| Capital redemption reserve | 27 | 54,888 | 54,888 |
| Profit and loss account | 27 | 21,043,525 | 20,298,170 |
| Members funds | | <u>21,106,287</u> | <u>20,360,932</u> |

These financial statements were approved by the board of directors and authorised for issue on 17.04.17, and are signed on behalf of the board by:


P Vans Agnew
Director

Company registration number: 00530201

The notes on pages 13 to 28 form part of these financial statements.

Capital (Hair and Beauty) Limited
Company Statement of Financial Position
31 December 2016

| | Note | 2016 £ | 2015 £ |
|---|------|--------------------------|--------------------------|
| Fixed assets | | | |
| Intangible assets | 16 | 1,441,999 | 1,851,471 |
| Tangible assets | 17 | 4,699,218 | 4,335,789 |
| Investments | 18 | 1,845,288 | 1,845,328 |
| | | <u>7,986,505</u> | <u>8,032,588</u> |
| Current assets | | | |
| Stocks | 19 | 8,044,140 | 6,810,683 |
| Debtors | 20 | 2,671,737 | 2,197,169 |
| Cash at bank and in hand | | 8,873,314 | 8,524,775 |
| | | <u>19,589,191</u> | <u>17,532,627</u> |
| Creditors: amounts falling due within one year | 21 | <u>7,780,146</u> | <u>6,702,475</u> |
| Net current assets | | <u>11,809,045</u> | <u>10,830,152</u> |
| Total assets less current liabilities | | <u>19,795,550</u> | <u>18,862,740</u> |
| Provisions | 22 | <u>106,067</u> | <u>125,149</u> |
| Net assets | | <u><u>19,689,483</u></u> | <u><u>18,737,591</u></u> |
| Capital and reserves | | | |
| Called up share capital | 26 | 7,874 | 7,874 |
| Capital redemption reserve | 27 | 34,758 | 34,758 |
| Profit and loss account | 27 | 19,646,851 | 18,694,959 |
| Members funds | | <u><u>19,689,483</u></u> | <u><u>18,737,591</u></u> |

The profit for the financial year of the parent company was £4,951,892 (2015: £2,570,529).

These financial statements were approved by the board of directors and authorised for issue on 07.09.17, and are signed on behalf of the board by:


P Vans Agnew
Director

Company registration number: 00530201

The notes on pages 13 to 28 form part of these financial statements.

Capital (Hair and Beauty) Limited
Consolidated Statement of Changes in Equity
Year ended 31 December 2016

| | | Called up share capital £ | Capital redemption reserve £ | Profit and loss account £ | Total £ |
|---|----|---------------------------------|---------------------------------------|---------------------------------|--------------------------|
| At 1 January 2015 | | 7,874 | 54,888 | 18,135,237 | 18,197,999 |
| Profit for the year | | — | — | 2,950,333 | 2,950,333 |
| Total comprehensive income for the year | | — | — | 2,950,333 | 2,950,333 |
| Dividends paid and payable | 15 | — | — | (787,400) | (787,400) |
| Total investments by and distributions to owners | | — | — | (787,400) | (787,400) |
| At 31 December 2015 | | 7,874 | 54,888 | 20,298,170 | 20,360,932 |
| Profit for the year | | — | — | 4,745,355 | 4,745,355 |
| Total comprehensive income for the year | | — | — | 4,745,355 | 4,745,355 |
| Dividends paid and payable | 15 | — | — | (4,000,000) | (4,000,000) |
| Total investments by and distributions to owners | | — | — | (4,000,000) | (4,000,000) |
| At 31 December 2016 | | <u>7,874</u> | <u>54,888</u> | <u>21,043,525</u> | <u>21,106,287</u> |

The notes on pages 13 to 28 form part of these financial statements.

Capital (Hair and Beauty) Limited
Company Statement of Changes in Equity
Year ended 31 December 2016

| | | Called up share capital £ | Capital redemption reserve £ | Profit and loss account £ | Total £ |
|---|-----------|---------------------------------|---------------------------------------|---------------------------------|--------------------------|
| At 1 January 2015 | | 7,874 | 34,758 | 16,911,830 | 16,954,462 |
| Profit for the year | | — | — | 2,570,529 | 2,570,529 |
| Total comprehensive income for the year | | — | — | 2,570,529 | 2,570,529 |
| Dividends paid and payable | 15 | — | — | (787,400) | (787,400) |
| Total investments by and distributions to owners | | — | — | (787,400) | (787,400) |
| At 31 December 2015 | | 7,874 | 34,758 | 18,694,959 | 18,737,591 |
| Profit for the year | | — | — | 4,951,892 | 4,951,892 |
| Total comprehensive income for the year | | — | — | 4,951,892 | 4,951,892 |
| Dividends paid and payable | 15 | — | — | (4,000,000) | (4,000,000) |
| Total investments by and distributions to owners | | — | — | (4,000,000) | (4,000,000) |
| At 31 December 2016 | | <u>7,874</u> | <u>34,758</u> | <u>19,646,851</u> | <u>19,689,483</u> |

The notes on pages 13 to 28 form part of these financial statements.

Capital (Hair and Beauty) Limited

Consolidated Statement of Cash Flows

Year ended 31 December 2016

| | 2016 £ | 2015 £ |
|--|-------------------------|-------------------------|
| Cash flows from operating activities | | |
| Profit for the financial year | 4,745,355 | 2,950,333 |
| <i>Adjustments for:</i> | | |
| Depreciation of tangible assets | 402,170 | 397,643 |
| Amortisation of intangible assets | 501,605 | 493,725 |
| Income from joint ventures | (750,000) | – |
| Share of profit of associates | (34,478) | (54,631) |
| Share of profit of joint ventures | (153,869) | (421,197) |
| Other interest receivable and similar income | (127,939) | (88,601) |
| Interest payable and similar expenses | 111 | 33 |
| Gains on disposal of tangible assets | (7,250) | (21,004) |
| Tax on profit | 1,204,671 | 939,342 |
| Accrued expenses | 392,134 | 487,219 |
| <i>Changes in:</i> | | |
| Stocks | (1,233,457) | 434,489 |
| Trade and other debtors | (474,568) | 3,517,479 |
| Trade and other creditors | 270,575 | (1,628,348) |
| Cash generated from operations | 4,735,060 | 7,006,482 |
| Interest paid | (111) | (33) |
| Interest received | 127,939 | 88,601 |
| Tax paid | (771,030) | (656,720) |
| Net cash from operating activities | <u>4,091,858</u> | <u>6,438,330</u> |
| Cash flows from investing activities | | |
| Purchase of tangible assets | (764,700) | (302,721) |
| Proceeds from sale of tangible assets | 6,351 | 26,349 |
| Purchase of intangible assets | (92,133) | – |
| Proceeds from sale of interests in associates and joint ventures | 357,112 | – |
| Dividends received | 750,000 | – |
| Net cash from/(used in) investing activities | <u>256,630</u> | <u>(276,372)</u> |
| Cash flows from financing activities | | |
| Proceeds from borrowings | 51 | – |
| Dividends paid | (4,000,000) | (787,400) |
| Net cash used in financing activities | <u>(3,999,949)</u> | <u>(787,400)</u> |
| Net increase in cash and cash equivalents | 348,539 | 5,374,558 |
| Cash and cash equivalents at beginning of year | 8,524,875 | 3,150,317 |
| Cash and cash equivalents at end of year | <u>8,873,414</u> | <u>8,524,875</u> |

The notes on pages 13 to 28 form part of these financial statements.

Capital (Hair and Beauty) Limited

Notes to the Financial Statements

Year ended 31 December 2016

1. General information

The company is a private company limited by shares, registered in England and Wales. The address of the registered office is Capital (Hair & Beauty) Ltd, Crowhurst Corner, Crowhurst Road, Brighton, East Sussex, BN1 8AP.

2. General information and statement of compliance

Capital (Hair and Beauty) Limited is a private company limited by shares incorporated in England and Wales. The address of the registered office is given in the company information on page 1 of these financial statements. The nature of the company's operations and principal activities are the sale of hair and beauty goods to trade.

These financial statements have been prepared in compliance with FRS 102, 'The Financial Reporting Standard applicable in the UK and the Republic of Ireland' and the Companies Act 2006.

3. Accounting policies

Basis of preparation

The financial statements have been prepared on the historical cost basis.

The financial statements are prepared in sterling, which is the functional currency of the entity.

Cash flow statement

The group has taken advantage of the exemption available in FRS 102 to not present a cash flow statement for the parent company.

Consolidation

The consolidated financial statements incorporate the financial statements of the company and all group undertakings. These are adjusted, where appropriate, to conform to group accounting policies. Acquisitions are accounted for under the acquisition method and goodwill on consolidation is capitalised and written off over five years from the year of acquisition. The results of companies acquired or disposed of are included in the group profit and loss account after or up to the date that control passes respectively. As a consolidated group profit and loss account is published, a separate profit and loss account for the parent company is omitted from the group financial statements by virtue of section 408 of the Companies Act 2006.

Capital (Hair and Beauty) Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2016

3. Accounting policies *(continued)*

Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported. These estimates and judgements are continually reviewed and are based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Key sources of estimation uncertainty

Accounting estimates and assumptions are made concerning the future and, by their nature, will rarely equal the related actual outcome. The key assumptions and other sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows: The group holds a significant level of goods for resale. Provision is made for slow-moving and potentially obsolete stock, which requires management to make judgements and estimates based on historical experience and on other factors that are believed to be relevant in the circumstances. The stock provision at 31 December 2016 was £321,626 (2015: £409,428).

The group depreciates its intangible and tangible fixed assets over their useful economic life, which requires management to make judgements and estimates of the useful economic life of the assets. The amortisation and depreciation rates are disclosed in the accounting policies. Depreciation at 31 December 2016 was £402,170 (2015: £397,643). Amortisation at 31 December 2016 was £493,725 (2015: £493,725).

Revenue recognition

Turnover is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods supplied and services rendered, stated net of discounts and of Value Added Tax.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have transferred to the buyer, usually on despatch of the goods, the amount of revenue can be measured reliably, it is probable that the associated economic benefits will flow to the entity, and the costs incurred or to be incurred in respect of the transactions can be measured reliably.

Revenue from the rendering of services is measured by reference to the stage of completion of the service transaction at the end of the reporting period provided that the outcome can be reliably estimated. When the outcome cannot be reliably estimated, revenue is recognised only to the extent that expenses recognised are recoverable.

Exceptional items

Exceptional items are disclosed separately in the notes to the financial statements in order to provide further understanding of the financial performance of the entity. They are material items of income or expense that have been shown separately in the notes because of their nature or amount.

Income tax

The taxation expense represents the aggregate amount of current and deferred tax recognised in the reporting period. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, tax is recognised in other comprehensive income or directly in equity, respectively.

Capital (Hair and Beauty) Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2016

3. Accounting policies *(continued)*

Income tax *(continued)*

Current tax is recognised on taxable profit for the current and past periods. Current tax is measured at the amounts of tax expected to pay or recover using the tax rates and laws that have been enacted or substantively enacted at the reporting date.

Deferred tax is recognised in respect of all timing differences at the reporting date. Unrelieved tax losses and other deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

Foreign currencies

Foreign currency transactions are initially recorded in the functional currency, by applying the spot exchange rate as at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate ruling at the reporting date, with any gains or losses being taken to the profit and loss account.

Intangible assets

Intangible assets are initially recorded at cost, and are subsequently stated at cost less any accumulated amortisation and impairment losses.

Intangible assets acquired as part of a business combination are recorded at the fair value at the acquisition date.

Amortisation

Amortisation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful life of that asset as follows:

| | | |
|----------|---|--|
| Goodwill | - | over the useful economic life of 5 years |
| Software | - | 25% straight line |

The directors cannot predict the commercial viability of the business, to which the goodwill relates, past five years due to uncertainties over online and other competition. The directors review the amortisation period regularly. If there is an indication that there has been a significant change in amortisation rate, useful life or residual value of an intangible asset, the amortisation is revised prospectively to reflect the new estimates.

Tangible assets

Tangible assets are initially recorded at cost, and subsequently stated at cost less any accumulated depreciation and impairment losses.

Capital (Hair and Beauty) Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2016

3. Accounting policies *(continued)*

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its residual value, over the useful economic life of that asset as follows:

| | |
|--|---------------------|
| Freehold property (land not depreciated) | - 2% straight line |
| Leasehold improvements | - 10% straight line |
| Fixtures and fittings | - 25% straight line |
| Motor vehicles | - 25% straight line |

Investments

Fixed asset investments are initially recorded at cost, and subsequently stated at cost less any accumulated impairment losses.

Investments in associates

Investments in associates are accounted for using the equity method of accounting, whereby the investment is initially recognised at the transaction price and subsequently adjusted to reflect the group's share of the profit or loss, other comprehensive income and equity of the associate.

Investments in joint ventures

Investments in joint ventures are accounted for using the equity method of accounting, whereby the investment is initially recognised at the transaction price and subsequently adjusted to reflect the group's share of the profit or loss, other comprehensive income and equity of the joint venture.

Impairment of fixed assets

A review for indicators of impairment is carried out at each reporting date, with the recoverable amount being estimated where such indicators exist. Where the carrying value exceeds the recoverable amount, the asset is impaired accordingly. Prior impairments are also reviewed for possible reversal at each reporting date.

Stocks

Stocks are measured at the lower of cost and estimated selling price. Cost includes all costs of purchase and other costs incurred in bringing the stock to its present location. Stocks are calculated on a first in, first out basis.

Capital (Hair and Beauty) Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2016

3. Accounting policies *(continued)*

Financial instruments

A financial asset or a financial liability is recognised only when the entity becomes a party to the contractual provisions of the instrument.

Basic financial instruments are initially recognised at the transaction price, unless the arrangement constitutes a financing transaction, where it is recognised at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Debt instruments are subsequently measured at amortised cost.

The group does not hold non-basic financial instruments.

Financial assets that are measured at cost or amortised cost are reviewed for objective evidence of impairment at the end of each reporting date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss immediately.

For all equity instruments regardless of significance, and other financial assets that are individually significant, these are assessed individually for impairment. Other financial assets are either assessed individually or grouped on the basis of similar credit risk characteristics.

Any reversals of impairment are recognised in profit or loss immediately, to the extent that the reversal does not result in a carrying amount of the financial asset that exceeds what the carrying amount would have been had the impairment not previously been recognised.

Defined contribution plans

Contributions to defined contribution plans are recognised as an expense in the period in which the related service is provided. Prepaid contributions are recognised as an asset to the extent that the prepayment will lead to a reduction in future payments or a cash refund.

4. Turnover

Turnover arises from:

| | 2016 £ | 2015 £ |
|-----------------------|-------------------|-------------------|
| Sale of goods | 39,587,003 | 36,921,150 |
| Rendering of services | 579,083 | 531,054 |
| | <u>40,166,086</u> | <u>37,452,204</u> |

The turnover is attributable to the one principal activity of the group. An analysis of turnover by the geographical markets that substantially differ from each other is given below:

| | 2016 £ | 2015 £ |
|----------------|-------------------|-------------------|
| United Kingdom | 37,841,874 | 36,264,028 |
| Overseas | 2,324,212 | 1,188,176 |
| | <u>40,166,086</u> | <u>37,452,204</u> |

Capital (Hair and Beauty) Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2016

5. Other operating income

| | 2016 | 2015 |
|-------------------------------|---------------|---------------|
| | £ | £ |
| Rental income | 31,242 | 37,490 |
| Management charges receivable | 12,000 | 12,000 |
| Other operating income | 2,958 | — |
| | <u>46,200</u> | <u>49,490</u> |

6. Operating profit

Operating profit or loss is stated after charging:

| | 2016 | 2015 |
|--------------------------------------|------------------|----------------|
| | £ | £ |
| Amortisation of intangible assets | 501,605 | 493,725 |
| Depreciation of tangible assets | 402,169 | 397,643 |
| Gains on disposal of tangible assets | (7,250) | (21,004) |
| Impairment of trade debtors | 4,718 | 7,154 |
| Foreign exchange differences | <u>(176,286)</u> | <u>172,460</u> |

7. Auditor's remuneration

| | 2016 | 2015 |
|--|---------------|---------------|
| | £ | £ |
| Fees payable for the audit of the financial statements | <u>10,520</u> | <u>16,000</u> |
| Fees payable to the company's auditor and its associates for other services: | | |
| Taxation compliance services | 410 | 410 |
| Other non-audit services | <u>5,380</u> | <u>5,380</u> |
| | <u>5,790</u> | <u>5,790</u> |

8. Staff costs

The average number of persons employed by the group during the year, including the directors, amounted to:

| | 2016 | 2015 |
|--------------------|------------|------------|
| | No. | No. |
| Distribution staff | 312 | 293 |
| Management staff | <u>45</u> | <u>46</u> |
| | <u>357</u> | <u>339</u> |

The aggregate payroll costs incurred during the year, relating to the above, were:

| | 2016 | 2015 |
|-----------------------|------------------|------------------|
| | £ | £ |
| Wages and salaries | 5,749,811 | 5,171,522 |
| Social security costs | 459,626 | 403,464 |
| Other pension costs | 263,673 | 183,534 |
| | <u>6,473,110</u> | <u>5,758,520</u> |

Capital (Hair and Beauty) Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2016

9. Directors' remuneration

The directors' aggregate remuneration in respect of qualifying services was:

| | 2016 £ | 2015 £ |
|---|----------------|----------------|
| Remuneration | 475,973 | 468,333 |
| Company contributions to defined contribution pension plans | 193,717 | 124,077 |
| | <u>669,690</u> | <u>592,410</u> |

The number of directors who accrued benefits under company pension plans was as follows:

| | 2016 No. | 2015 No. |
|----------------------------|-------------|-------------|
| Defined contribution plans | <u>4</u> | <u>4</u> |

Remuneration of the highest paid director in respect of qualifying services:

| | 2016 £ | 2015 £ |
|---|----------------|----------------|
| Aggregate remuneration | 105,417 | 109,589 |
| Company contributions to defined contribution pension plans | 60,856 | 40,000 |
| | <u>166,273</u> | <u>149,589</u> |

10. Exceptional items

| | Group | | Company | |
|---|----------------|------------------|----------------|------------------|
| | 2016 £ | 2015 £ | 2016 £ | 2015 £ |
| Profit on disposal of interest in associate | 342,928 | – | 700,000 | – |
| Tax and national insurance settlement | – | (292,217) | – | (292,217) |
| | <u>342,928</u> | <u>(292,217)</u> | <u>700,000</u> | <u>(292,217)</u> |

During 2016, the group disposed of its interest in an associate resulting in a profit of £342,928 (£700,000 company profit).

During 2015, the group has incurred an amount of £292,217 for the settlement of income tax, national insurance and employer settlement of tax on trust investment income on contributions the group has made to an Employer-Financed Retirement Benefit Scheme. This includes corporation tax relief.

11. Income from joint ventures

| | 2016 £ | 2015 £ |
|----------------------------|----------------|-----------|
| Income from joint ventures | <u>750,000</u> | <u>–</u> |

Capital (Hair and Beauty) Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2016

12. Other interest receivable and similar income

| | 2016 | 2015 |
|--|----------------|---------------|
| | £ | £ |
| Interest on loans and receivables | 116,937 | 60,176 |
| Interest on cash and cash equivalents | 9,773 | 14,734 |
| Other interest receivable and similar income | 1,229 | 13,691 |
| | <u>127,939</u> | <u>88,601</u> |

13. Interest payable and similar expenses

| | 2016 | 2015 |
|--|------------|-----------|
| | £ | £ |
| Other interest payable and similar charges | <u>111</u> | <u>33</u> |

14. Tax on profit

Major components of tax expense

| | 2016 | 2015 |
|--|------------------|----------------|
| | £ | £ |
| Current tax: | | |
| UK current tax expense | 1,223,753 | 943,422 |
| Deferred tax: | | |
| Origination and reversal of timing differences | (19,082) | (4,080) |
| Tax on profit | <u>1,204,671</u> | <u>939,342</u> |

Reconciliation of tax expense

The tax assessed on the profit on ordinary activities for the year is higher than (2015: higher than) the standard rate of corporation tax in the UK of 20% (2015: 20.25%).

| | 2016 | 2015 |
|--|------------------|----------------|
| | £ | £ |
| Profit on ordinary activities before taxation | 5,950,026 | 3,889,675 |
| Profit on ordinary activities by rate of tax | 1,190,005 | 787,659 |
| Effect of expenses not deductible for tax purposes | 109,707 | 167,826 |
| Effect of capital allowances and depreciation | 2,635 | (8,844) |
| Rounding on tax charge | 1 | (3,219) |
| Franked investment income | (150,000) | – |
| Difference in profit on disposal of associate | 71,405 | – |
| Movement in deferred tax provision | (19,082) | (4,080) |
| Tax on profit | <u>1,204,671</u> | <u>939,342</u> |

Factors that may affect future tax expense

The standard rate of tax will change from 20% to 19% on 1 April 2017 and from 19% to 18% on 1 April 2020 in line with United Kingdom legislation.

Capital (Hair and Beauty) Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2016

15. Dividends

Dividends paid during the year (excluding those for which a liability existed at the end of the prior year):

| | 2016 £ | 2015 £ |
|-------------------------------------|------------------|----------------|
| Equity dividends on ordinary shares | <u>4,000,000</u> | <u>787,400</u> |

16. Intangible assets

| Group | Goodwill £ | Software £ | Total £ |
|--|------------------|---------------|-------------------------|
| Cost | | | |
| At 1 January 2016 | 2,488,732 | – | 2,488,732 |
| Additions | – | 80,747 | 80,747 |
| Acquisitions through business combinations | 11,386 | – | 11,386 |
| At 31 December 2016 | <u>2,500,118</u> | <u>80,747</u> | <u>2,580,865</u> |
| Amortisation | | | |
| At 1 January 2016 | 637,261 | – | 637,261 |
| Charge for the year | 493,725 | 7,880 | 501,605 |
| At 31 December 2016 | <u>1,130,986</u> | <u>7,880</u> | <u>1,138,866</u> |
| Carrying amount | | | |
| At 31 December 2016 | <u>1,369,132</u> | <u>72,867</u> | <u>1,441,999</u> |
| At 31 December 2015 | <u>1,851,471</u> | <u>–</u> | <u>1,851,471</u> |
| Company | | | |
| Cost | | | |
| At 1 January 2016 | 2,345,196 | – | 2,345,196 |
| Additions | – | 80,747 | 80,747 |
| Acquisitions through business combinations | 11,386 | – | 11,386 |
| At 31 December 2016 | <u>2,356,582</u> | <u>80,747</u> | <u>2,437,329</u> |
| Amortisation | | | |
| At 1 January 2016 | 493,725 | – | 493,725 |
| Charge for the year | 493,725 | 7,880 | 501,605 |
| At 31 December 2016 | <u>987,450</u> | <u>7,880</u> | <u>995,330</u> |
| Carrying amount | | | |
| At 31 December 2016 | <u>1,369,132</u> | <u>72,867</u> | <u>1,441,999</u> |
| At 31 December 2015 | <u>1,851,471</u> | <u>–</u> | <u>1,851,471</u> |

Capital (Hair and Beauty) Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2016

17. Tangible assets

| Group and company | Freehold property £ | Short leasehold property £ | Fixtures and fittings £ | Motor vehicles £ | Total £ |
|----------------------------|---------------------------|-------------------------------------|-------------------------------|------------------------|------------------|
| Cost | | | | | |
| At 1 January 2016 | 3,685,237 | 708,668 | 1,856,432 | 629,622 | 6,879,959 |
| Additions | 322,377 | 162,107 | 184,786 | 95,430 | 764,700 |
| Disposals | — | — | — | (32,208) | (32,208) |
| At 31 December 2016 | 4,007,614 | 870,775 | 2,041,218 | 692,844 | 7,612,451 |
| Depreciation | | | | | |
| At 1 January 2016 | 226,091 | 451,069 | 1,528,195 | 338,815 | 2,544,170 |
| Charge for the year | 53,478 | 36,865 | 166,884 | 144,943 | 402,170 |
| Disposals | — | — | — | (33,107) | (33,107) |
| At 31 December 2016 | 279,569 | 487,934 | 1,695,079 | 450,651 | 2,913,233 |
| Carrying amount | | | | | |
| At 31 December 2016 | 3,728,045 | 382,841 | 346,139 | 242,193 | 4,699,218 |
| At 31 December 2015 | 3,459,146 | 257,599 | 328,237 | 290,807 | 4,335,789 |

18. Investments

| Group | Interests in associates £ | Joint ventures £ | Total £ |
|---------------------------------|---------------------------------|---------------------|------------------|
| Share of net assets/cost | | | |
| At 1 January 2016 | 329,570 | 1,659,125 | 1,988,695 |
| Disposals | (357,152) | — | (357,152) |
| Share of profit or loss | 27,582 | 122,953 | 150,535 |
| At 31 December 2016 | — | 1,782,078 | 1,782,078 |
| Impairment | | | |
| At 1 Jan 2016 and 31 Dec 2016 | — | — | — |
| Carrying amount | | | |
| At 31 December 2016 | — | 1,782,078 | 1,782,078 |
| At 31 December 2015 | 329,570 | 1,659,125 | 1,988,695 |

Capital (Hair and Beauty) Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2016

18. Investments *(continued)*

| Company | Shares in group undertakings £ | Shares in participating interests £ | Total £ |
|-------------------------------|---|--|------------------|
| Cost | | | |
| At 1 January 2016 | 1,785,023 | 60,305 | 1,845,328 |
| Disposals | — | (40) | (40) |
| At 31 December 2016 | 1,785,023 | 60,265 | 1,845,288 |
| Impairment | | | |
| At 1 Jan 2016 and 31 Dec 2016 | — | — | — |
| Carrying amount | | | |
| At 31 December 2016 | 1,785,023 | 60,265 | 1,845,288 |
| At 31 December 2015 | 1,785,023 | 60,305 | 1,845,328 |

Subsidiaries, associates and other investments

Details of the investments in which the group and the parent company have an interest of 20% or more are as follows:

| | Class of share | Percentage of shares held |
|--------------------------------|----------------|------------------------------|
| Subsidiary undertakings | | |
| Hair and Beauty Direct Limited | Ordinary | 100 |
| Pompadour Laboratories Limited | Ordinary | 100 |
| Associates | | |
| Dean Clarke Estate Limited | Ordinary | 40 |
| Joint ventures | | |
| The Avec Corporation Limited | Ordinary | 50 |

The consolidated financial statements include both subsidiary undertakings. Both subsidiary undertakings were dormant during the year.

The consolidated financial statements include the results of both the associate and the joint venture. The associate was disposed of on 1 June 2016 and the consolidated financial statements include the group's share of the associate's profit to this date.

Investments in associates and joint ventures

Summarised financial information of associates and joint ventures:

| | Associates | | Joint ventures | |
|-------------------------|------------|---------|----------------|-----------|
| | 2016 | 2015 | 2016 | 2015 |
| | £ | £ | £ | £ |
| Fixed assets | — | — | 5,810 | 1,342 |
| Current assets | — | 878,952 | 1,434,258 | 2,023,785 |
| Non-current liabilities | — | — | 48,825 | 10,769 |
| Current liabilities | — | 549,423 | 359,166 | 355,234 |

Capital (Hair and Beauty) Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2016

18. Investments *(continued)*

| | | | | |
|----------|---------|-----------|-----------|-----------|
| Revenues | 362,836 | 2,323,280 | 2,136,346 | 2,073,699 |
|----------|---------|-----------|-----------|-----------|

19. Stocks

| | Group | | Company | |
|-------------------------------------|------------------|------------------|------------------|------------------|
| | 2016 | 2015 | 2016 | 2015 |
| | £ | £ | £ | £ |
| Finished goods and goods for resale | <u>8,044,140</u> | <u>6,810,683</u> | <u>8,044,140</u> | <u>6,810,683</u> |

Stock recognised in cost of sales during the year as an expense was £25,374,706 (2015: £23,676,168).

An impairment loss of £87,802 was reversed (2015: £88,375 was recognised) in cost of sales against stock during the year due to slow-moving and obsolete stock.

20. Debtors

| | Group | | Company | |
|--|------------------|------------------|------------------|------------------|
| | 2016 | 2015 | 2016 | 2015 |
| | £ | £ | £ | £ |
| Trade debtors | 573,119 | 267,043 | 573,119 | 267,043 |
| Amounts owed by undertakings in which the company has a participating interest | – | (40) | – | (40) |
| Prepayments and accrued income | 691,877 | 875,351 | 691,877 | 875,351 |
| Corporation tax repayable | – | 162,475 | – | 162,475 |
| Other debtors | <u>1,406,741</u> | <u>892,340</u> | <u>1,406,741</u> | <u>892,340</u> |
| | <u>2,671,737</u> | <u>2,197,169</u> | <u>2,671,737</u> | <u>2,197,169</u> |

21. Creditors: amounts falling due within one year

| | Group | | Company | |
|------------------------------------|------------------|------------------|------------------|------------------|
| | 2016 | 2015 | 2016 | 2015 |
| | £ | £ | £ | £ |
| Trade creditors | 2,474,693 | 2,173,647 | 2,474,693 | 2,173,647 |
| Amounts owed to group undertakings | – | – | 1,479,914 | 1,479,914 |
| Accruals and deferred income | 2,230,015 | 1,837,881 | 2,230,015 | 1,837,881 |
| Corporation tax | 867,821 | 452,910 | 867,821 | 452,910 |
| Social security and other taxes | 534,893 | 622,892 | 534,893 | 622,892 |
| Director loan accounts | 51 | – | 51 | – |
| Other creditors | <u>192,759</u> | <u>135,231</u> | <u>192,759</u> | <u>135,231</u> |
| | <u>6,300,232</u> | <u>5,222,561</u> | <u>7,780,146</u> | <u>6,702,475</u> |

Capital (Hair and Beauty) Limited

Notes to the Financial Statements (continued)

Year ended 31 December 2016

22. Provisions

| Group and company | Deferred tax (note 23) £ |
|----------------------------|--------------------------------|
| At 1 January 2016 | 125,149 |
| Charge against provision | (19,082) |
| At 31 December 2016 | <u>106,067</u> |

23. Deferred tax

The deferred tax included in the statement of financial position is as follows:

| | Group | | Company | |
|----------------------------------|----------------|----------------|----------------|----------------|
| | 2016 | 2015 | 2016 | 2015 |
| | £ | £ | £ | £ |
| Included in provisions (note 22) | <u>106,067</u> | <u>125,149</u> | <u>106,067</u> | <u>125,149</u> |

The deferred tax account consists of the tax effect of timing differences in respect of:

| | Group | | Company | |
|--------------------------------|----------------|----------------|----------------|----------------|
| | 2016 | 2015 | 2016 | 2015 |
| | £ | £ | £ | £ |
| Accelerated capital allowances | <u>106,067</u> | <u>125,149</u> | <u>106,067</u> | <u>125,149</u> |

24. Employee benefits

Defined contribution plans

The amount recognised in profit or loss as an expense in relation to defined contribution plans was £263,673 (2015: £183,534).

25. Financial instruments

The carrying amount for each category of financial instrument is as follows:

Financial assets that are debt instruments measured at amortised cost

| | Group | |
|---|-------------------|------------------|
| | 2016 | 2015 |
| | £ | £ |
| Financial assets that are debt instruments measured at amortised cost | <u>10,853,274</u> | <u>9,684,218</u> |

Financial assets that are equity instruments measured at cost less impairment

| | Group | |
|---|------------------|------------------|
| | 2016 | 2015 |
| | £ | £ |
| Financial assets that are equity instruments measured at cost less impairment | <u>1,782,078</u> | <u>1,988,695</u> |

Financial liabilities measured at amortised cost

| | Group | |
|--|------------------|------------------|
| | 2016 | 2015 |
| | £ | £ |
| Financial liabilities measured at amortised cost | <u>2,667,503</u> | <u>2,308,878</u> |

Capital (Hair and Beauty) Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2016

25. Financial instruments *(continued)*

Financial assets that are debt instruments measured at amortised cost

| | Company | |
|---|-------------------|------------------|
| | 2016 | 2015 |
| | £ | £ |
| Financial assets that are debt instruments measured at amortised cost | <u>10,853,174</u> | <u>9,684,118</u> |

Financial assets that are equity instruments measured at cost less impairment

| | Company | |
|---|------------------|------------------|
| | 2016 | 2015 |
| | £ | £ |
| Financial assets that are equity instruments measured at cost less impairment | <u>1,845,288</u> | <u>1,845,328</u> |

Financial liabilities measured at amortised cost

| | Company | |
|--|------------------|------------------|
| | 2016 | 2015 |
| | £ | £ |
| Financial liabilities measured at amortised cost | <u>4,147,417</u> | <u>3,788,792</u> |

Financial assets measured at amortised cost comprise cash at bank, trade debtors, amounts due from associated undertakings, and other debtors. Financial assets that are equity instruments measured at cost less impairment comprise fixed asset investments. Financial liabilities measured at amortised cost comprise trade creditors, directors' loans, amounts due from group undertakings and other creditors.

26. Called up share capital

Issued, called up and fully paid

| | 2016 | | 2015 | |
|----------------------------|--------------|--------------|--------------|--------------|
| | No. | £ | No. | £ |
| Ordinary shares of £1 each | <u>7,874</u> | <u>7,874</u> | <u>7,874</u> | <u>7,874</u> |

27. Reserves

Capital redemption reserve - This reserve records the nominal value of shares repurchased by the company. Profit and loss account - This reserve records retained earnings and accumulated losses.

28. Operating leases

As lessee

The total future minimum lease payments under non-cancellable operating leases are as follows:

| | Group | | Company | |
|--|------------------|-------------------|------------------|-------------------|
| | 2016 | 2015 | 2016 | 2015 |
| | £ | £ | £ | £ |
| Not later than 1 year | 998,811 | 145,278 | 998,811 | 145,278 |
| Later than 1 year and not later than 5 years | 2,426,843 | 4,266,074 | 2,426,843 | 4,266,074 |
| Later than 5 years | <u>786,417</u> | <u>6,185,900</u> | <u>786,417</u> | <u>6,185,900</u> |
| | <u>4,212,071</u> | <u>10,597,252</u> | <u>4,212,071</u> | <u>10,597,252</u> |

Capital (Hair and Beauty) Limited

Notes to the Financial Statements (continued)

Year ended 31 December 2016

28. Operating leases (continued)

As lessor

The total future minimum lease payments receivable under non-cancellable operating leases are as follows:

| | Group | | Company | |
|--|---------------|----------------|---------------|----------------|
| | 2016 | 2015 | 2016 | 2015 |
| | £ | £ | £ | £ |
| Not later than 1 year | 19,250 | – | 19,250 | – |
| Later than 1 year and not later than 5 years | 77,000 | – | 77,000 | – |
| Later than 5 years | 1,604 | 117,104 | 1,604 | 117,104 |
| | <u>97,854</u> | <u>117,104</u> | <u>97,854</u> | <u>117,104</u> |

29. Events after the end of the reporting period

On 1 February 2017, the group purchased the entire share capital of a company, based in the United Kingdom. The consideration for the acquisition is not disclosed since it is commercially sensitive. A proportion of the consideration is deferred until 1 February 2019.

On 20 February 2017, the group issued 874 ordinary £1 shares for a total consideration of £500,000. £250,000 of the consideration was loaned by the group with interest charged at H M Revenue and Custom's official rate and the loan repayable on transfer of the shares.

30. Directors' advances, credits and guarantees

During the year the directors entered into the following advances and credits with the company and its subsidiary undertakings:

| | 2016 | | | |
|--------------|-------------------------|--------------------------------------|--------------------|---------------------|
| | Balance brought forward | Advances/ (credits) to the directors | Amounts repaid | Balance outstanding |
| | £ | £ | £ | £ |
| P Vans Agnew | – | 1,029,598 | (1,029,598) | – |
| H Vans Agnew | – | 269,600 | (269,600) | – |
| | <u>–</u> | <u>1,299,198</u> | <u>(1,299,198)</u> | <u>–</u> |

| | 2015 | | | |
|--------------|-------------------------|--------------------------------------|--------------------|---------------------|
| | Balance brought forward | Advances/ (credits) to the directors | Amounts repaid | Balance outstanding |
| | £ | £ | £ | £ |
| P Vans Agnew | – | 250,116 | (250,116) | – |
| H Vans Agnew | 1,109,355 | 278,399 | (1,387,754) | – |
| | <u>1,109,355</u> | <u>528,515</u> | <u>(1,637,870)</u> | <u>–</u> |

Interest of 4% per annum was payable on the loans and an amount of £nil (2015: £43,904) was charged by the group during the year. Interest of £nil (2015: £43,904) was written off during the year. The loans were repayable on demand.

Capital (Hair and Beauty) Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2016

31. Related party transactions

Group

During the year the group entered into the following transactions with related parties:

| | Transaction value | | Balance owed by/(owed to) | |
|--|-------------------|----------------|---------------------------|---------------|
| | 2016 £ | 2015 £ | 2016 £ | 2015 £ |
| Entities controlled, jointly controlled or significantly influenced - purchases | 1,869,021 | 1,819,054 | (180,583) | (200,118) |
| Entities controlled, jointly controlled or significantly influenced - dividends receivable | 750,000 | — | — | — |
| Entities controlled, jointly controlled or significantly influenced - sales and recharges | 1,368,672 | 1,838,540 | 92,360 | 102,793 |
| Key management personnel - dividends payable | 4,000,000 | 787,400 | — | (11,601) |
| Other related parties - rent payable and reimbursed expenses | <u>218,220</u> | <u>212,653</u> | <u>28,125</u> | <u>51,500</u> |

The above balances outstanding are unsecured, payable on demand, and the nature of consideration to be provided in settlement is cash.

Company

During the year the company entered into the following transactions with related parties:

| | Transaction value | | Balance owed by/(owed to) | |
|--|-------------------|----------------|---------------------------|---------------|
| | 2016 £ | 2015 £ | 2016 £ | 2015 £ |
| Entities controlled, jointly controlled or significantly influenced - purchases | 1,869,021 | 3,021,283 | (180,583) | (1,680,032) |
| Entities controlled, jointly controlled or significantly influenced - dividends receivable | 750,000 | — | — | — |
| Entities controlled, jointly controlled or significantly influenced - sales and recharges | 1,368,672 | 1,838,540 | 92,360 | 102,793 |
| Key management personnel - dividends payable | 4,000,000 | 787,400 | — | (11,601) |
| Other related parties - rent payable and reimbursed expenses | <u>218,220</u> | <u>212,653</u> | <u>28,125</u> | <u>51,500</u> |

The above balances outstanding are unsecured, payable on demand, and the nature of consideration to be provided in settlement is cash.

On 1 January 2015, the trade and net assets, amounting to £1,202,229, of the subsidiary, Pompadour Laboratories Limited, were hived up to Capital (Hair and Beauty) Limited.