

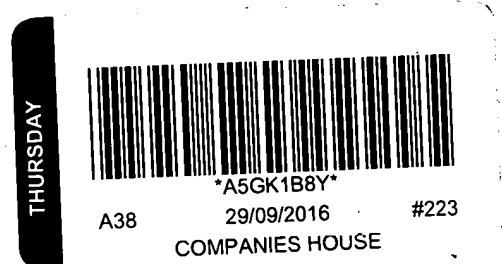
Registration number: 00702316

# R N Smith Holdings Limited

Annual Report and Consolidated Financial Statements

for the Year Ended 31 January 2016

Thompson Jones Business Solutions Limited  
Registered Auditors & Chartered Accountants  
2 Heap Bridge  
Bury  
Lancashire  
BL9 7HR



## **R N Smith Holdings Limited**

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## **R N Smith Holdings Limited**

### **Company Information**

<b>Directors</b>	D N Smith R G Smith
<b>Company secretary</b>	R G Smith
<b>Registered office</b>	Rayrigg Showrooms Rayrigg Road Bowness Windermere Cumbria LA23 3DN
<b>Bankers</b>	HSBC Bank plc Preston 1 Forest Green Off Caxton Road Fulwood Preston PR2 9LJ
<b>Auditors</b>	Thompson Jones Business Solutions Limited Registered Auditors & Chartered Accountants 2 Heap Bridge Bury Lancashire BL9 7HR

## **R N Smith Holdings Limited**

### **Strategic Report for the Year Ended 31 January 2016**

The Directors present their strategic report for the year ended 31 January 2016.

#### **Principal activity**

The principal activity of the company is that of motor engineers and garage proprietors and operating a school for children with social, emotional and behavioural difficulties, learning difficulties and development challenges

#### **Fair review of the business**

R Smith (Windermere) Limited

2016 has been a year of growth, once again led by our premium franchise, Kia Motors. Fiat still struggles with excessive depreciation, brought on entirely by themselves, and to this end we have reluctantly handed in our termination in September 2015. This is a two year notice period which means, unless agreed by mutual consent that we will remain a Fiat dealer until September 2017.

Turnover for 2016 has increased by 7.29% and Profit before Tax of 9.78%. Whilst we feel that these figures are acceptable, 2017 should show some major improvements in our profitability.

Figures for the first five months of the current year are showing an increase of 35% net profit on the previous year, with all departments showing improvements. The only cloud on the horizon is the effect of Brexit, which is something none of us can judge with any confidence. We can only hope that with Kia going from strength to strength and new models arriving at a steady pace, our business model can accept some small reversal of fortunes.

Our New Model introductions for the coming months include both Hybrid and full Electric vehicles so opening a new window of opportunity for our business.

#### **North Lakes Childrens Services Limited**

We have experienced a somewhat disappointing year where our turnover and profitability has gone in the wrong direction. This was mainly to do with a small increase in our cost of sales and an increase in our administrative expenses.

2017 has started in a much more positive vein with our first five months management accounts showing a profit of over £100,000. This is mainly due to NLCS being accredited by the NE12 organisation as one of their approved providers. This is a huge feather in our cap and one we are very proud of.

We are in the process of acquiring a further School which is just in the County of Northumberland. We intend to have this unit specifically for children with the most complex needs and the facility will accommodate up to 20 pupils.

Our future is now looking very positive and with this in mind we can now look at a very profitable year in 2017.


## **R N Smith Holdings Limited**

### **Strategic Report for the Year Ended 31 January 2016**

#### **Principal risks and uncertainties**

The market for special schools remains strong despite the challenging economic and regulatory climate. An increase in the number of children being taken into care combined with an increase in exclusions from mainstream schools will continue to drive demand. The majority of fees are paid by Local Authorities at the start of a term and therefore the credit risk is minimal. The directors monitor the cashflow needs and occupancy capacity of the schools on a regular basis. The continuing support of the parent company has been pledged.

Approved by the Board on 12 July 2016 and signed on its behalf by:



.....  
D N Smith  
Director

## **R N Smith Holdings Limited**

### **Directors' Report for the Year Ended 31 January 2016**

The Directors present their report and the consolidated financial statements for the year ended 31 January 2016.

#### **Directors of the Group**

The directors who held office during the year were as follows:

D N Smith

R G Smith

#### **Dividends**

The directors recommend no final dividend payment be made in respect of the financial year ended 31 January 2016.

#### **Financial instruments**

##### ***Objectives and policies***

The company does not enter significant derivative transactions. The company's principal financial instruments comprise bank loans, cash and short term deposits. The main purpose of these financial instruments is to raise finance for the company's operations. The company has various other financial instruments such as trade debtors and trade creditors, which arise directly from its operations.

The main risks arising from the company's financial instruments are credit risk, interest risk and liquidity risk.

##### ***Price risk, credit risk, liquidity risk and cash flow risk***

###### ***Credit risk***

The company operates credit control policies to assess customer credit rating and provides for any debt that is deemed non-recoverable. Historically losses from trade debtors have been low.

###### ***Interest rate risk***

The company is subject to interest rate rise due to borrowing at floating rates of interest.

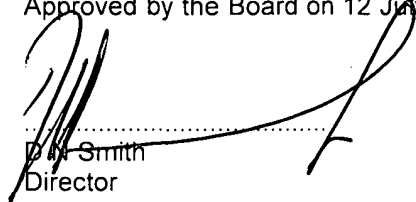
###### ***Liquidity risk***

The company's objective is to maintain a balance between continuity of funding and flexibility through the use of overdrafts, loans and finance leases as appropriate.

#### **Disclosure of information to the auditor**

Each Director has taken steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information. The Directors confirm that there is no relevant information that they know of and of which they know the auditor is unaware.

Approved by the Board on 12 July 2016 and signed on its behalf by:



D N Smith  
Director

## **R N Smith Holdings Limited**

### **Statement of Directors' Responsibilities**

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

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

- select suitable accounting policies and apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

## **R N Smith Holdings Limited**

### **Independent Auditor's Report**

We have audited the financial statements of R N Smith Holdings Limited for the year ended 31 January 2016, set out on pages 8 to 35. 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 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 Statement of Directors' Responsibilities (set out on page 5), 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 to the financial statements.

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

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the Company's affairs as at 31 January 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.



## **R N Smith Holdings Limited**

### **Independent Auditor's Report**

#### **Opinion on other matter prescribed by the Companies Act 2006**

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

#### **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 Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Company financial statements are not in agreement with the accounting records and returns; 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



John Stone FCA (Senior Statutory Auditor)

For and on behalf of Thompson Jones Business Solutions Limited, Statutory Auditor

2 Heap Bridge  
Bury  
Lancashire  
BL9 7HR

12 July 2016

## R N Smith Holdings Limited

### Consolidated Profit and Loss Account for the Year Ended 31 January 2016

	Note	2016 £	2015 £
Turnover	3	21,814,231	20,522,591
Cost of sales		<u>(17,599,090)</u>	<u>(16,411,353)</u>
Gross profit		4,215,141	4,111,238
Administrative expenses		(3,971,374)	(3,790,983)
Other operating income	4	<u>45,413</u>	<u>39,480</u>
Operating profit	6	<u>289,180</u>	<u>359,735</u>
Other interest receivable and similar income	7	5,168	41,612
Interest payable and similar charges	8	<u>(143,967)</u>	<u>(169,606)</u>
		<u>(138,799)</u>	<u>(127,994)</u>
Profit before tax		150,381	231,741
Taxation	12	<u>(32,115)</u>	<u>(59,322)</u>
Profit for the financial year		<u>118,266</u>	<u>172,419</u>
<b>Profit/(loss) attributable to:</b>			
Owners of the company		<u>118,266</u>	<u>172,419</u>

The group has no recognised gains or losses for the year other than the results above.

The notes on pages 17 to 35 form an integral part of these financial statements.

# R N Smith Holdings Limited

## Consolidated Statement of Comprehensive Income for the Year Ended 31 January 2016

	Note	2016 £	2015 £
Profit for the year		<u>118,266</u>	<u>172,419</u>
Total comprehensive income for the year		<u>118,266</u>	<u>172,419</u>
<b>Total comprehensive income attributable to:</b>			
Owners of the company		<u>118,266</u>	<u>172,419</u>

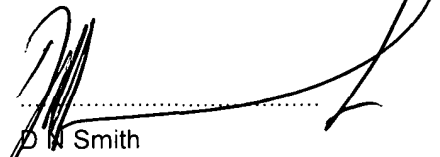
# R N Smith Holdings Limited

(Registration number: 00702316)

## Consolidated Balance Sheet as at 31 January 2016

	Note	2016 £	2015 £
Tangible assets	14	2,794,067	2,749,935
Investment property	15	<u>570,000</u>	<u>570,000</u>
		<u>3,364,067</u>	<u>3,319,935</u>
<b>Current assets</b>			
Stocks	17	1,622,338	1,799,093
Debtors	18	1,020,898	1,521,906
Cash at bank and in hand		<u>159,151</u>	<u>3,498</u>
		<u>2,802,387</u>	<u>3,324,497</u>
<b>Creditors:</b> Amounts falling due within one year	20	<u>(3,923,440)</u>	<u>(4,216,610)</u>
<b>Net current liabilities</b>		<u>(1,121,053)</u>	<u>(892,113)</u>
<b>Total assets less current liabilities</b>		<u>2,243,014</u>	<u>2,427,822</u>
<b>Creditors:</b> Amounts falling due after more than one year	20	(1,145,190)	(1,343,492)
<b>Provisions for liabilities</b>		<u>(7,800)</u>	<u>(7,800)</u>
<b>Net assets</b>		<u><u>1,090,024</u></u>	<u><u>1,076,530</u></u>
<b>Capital and reserves</b>			
Called up share capital	21	15,000	15,000
Revaluation reserve		729,469	729,469
Other reserves		36,267	36,267
Profit and loss account		<u>627,019</u>	<u>613,525</u>
Equity attributable to owners of the company		<u>1,407,755</u>	<u>1,394,261</u>
Minority interests		<u>(317,731)</u>	<u>(317,731)</u>
Total equity		<u><u>1,090,024</u></u>	<u><u>1,076,530</u></u>

Approved and authorised by the Board on 12 July 2016 and signed on its behalf by:

  
 .....  
 D N Smith  
 Director

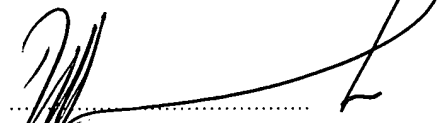
The notes on pages 17 to 35 form an integral part of these financial statements.

**R N Smith Holdings Limited**

**(Registration number: 00702316)**  
**Balance Sheet as at 31 January 2016**

	Note	2016 £	2015 £
Investments	16	1,000	1,000
<b>Current assets</b>			
Debtors	18	<u>56,111</u>	<u>56,111</u>
<b>Net assets</b>		<u>57,111</u>	<u>57,111</u>
<b>Capital and reserves</b>			
Called up share capital	21	15,000	15,000
Profit and loss account		<u>42,111</u>	<u>42,111</u>
Total equity		<u>57,111</u>	<u>57,111</u>

Approved and authorised by the Board on 12 July 2016 and signed on its behalf by:

  
.....  
D N Smith  
Director

**R N Smith Holdings Limited**

**Consolidated Statement of Changes in Equity for the Year Ended 31 January 2016**

	Share capital £	Revaluation reserve £	Other reserves £	Profit and loss account £	Total £	Non- controlling interests £	Total equity £
At 1 February 2015	15,000	729,469	36,267	613,525	1,394,261	(317,731)	1,076,530
Profit for the year	-	-	-	118,266	118,266	-	118,266
Total comprehensive income	-	-	-	118,266	118,266	-	118,266
Dividends	-	-	-	(104,772)	(104,772)	-	(104,772)
At 31 January 2016	15,000	729,469	36,267	627,019	1,407,755	(317,731)	1,090,024
	Share capital £	Revaluation reserve £	Other reserves £	Profit and loss account £	Total £	Non- controlling interests £	Total equity £
At 1 February 2014	15,000	729,469	36,267	547,594	1,328,330	(317,731)	1,010,599
Profit for the year	-	-	-	172,419	172,419	-	172,419
Total comprehensive income	-	-	-	172,419	172,419	-	172,419
Dividends	-	-	-	(106,488)	(106,488)	-	(106,488)
At 31 January 2015	15,000	729,469	36,267	613,525	1,394,261	(317,731)	1,076,530

The notes on pages 17 to 35 form an integral part of these financial statements.  
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# **R N Smith Holdings Limited**

## **Statement of Changes in Equity for the Year Ended 31 January 2016**

	<b>Share capital £</b>	<b>Profit and loss account £</b>	<b>Total £</b>
At 1 February 2015	15,000	42,111	57,111
Profit for the year	-	104,772	104,772
Total comprehensive income	-	104,772	104,772
Dividends	-	(104,772)	(104,772)
At 31 January 2016	15,000	42,111	57,111

## R N Smith Holdings Limited

### Statement of Changes in Equity for the Year Ended 31 January 2016

	Share capital £	Profit and loss account £	Total £
At 1 February 2014	15,000	42,111	57,111
Profit for the year	-	106,488	106,488
Total comprehensive income	-	106,488	106,488
Dividends	-	(106,488)	(106,488)
At 31 January 2015	15,000	42,111	57,111

The notes on pages 17 to 35 form an integral part of these financial statements.



## R N Smith Holdings Limited

### Consolidated Statement of Cash Flows for the Year Ended 31 January 2016

	Note	2016 £	2015 £
<b>Cash flows from operating activities</b>			
Profit for the year		118,266	172,419
Adjustments to cash flows from non-cash items			
Depreciation and amortisation	6	54,029	67,104
(Profit)/loss on disposal of tangible assets	5	(2,875)	7,883
Finance income	7	(5,168)	(41,612)
Finance costs	8	143,967	169,606
Income tax expense	12	32,115	59,322
		<u>340,334</u>	<u>434,722</u>
Working capital adjustments			
Decrease in stocks	17	176,755	8,920
Decrease in trade debtors	18	501,008	37,723
Increase/(decrease) in trade creditors	20	17,423	(45,188)
Cash generated from operations		1,035,520	436,177
Income taxes paid	12	(48,505)	(31,611)
Net cash flow from operating activities		<u>987,015</u>	<u>404,566</u>
<b>Cash flows from investing activities</b>			
Interest received		5,168	41,612
Acquisitions of tangible assets		(108,285)	(161,681)
Proceeds from sale of tangible assets		<u>13,000</u>	<u>5,699</u>
Net cash flows from investing activities		<u>(90,117)</u>	<u>(114,370)</u>
<b>Cash flows from financing activities</b>			
Interest paid	8	(143,967)	(169,606)
Repayment of bank borrowing		107,677	(177,938)
Repayment of other borrowing		(481,329)	44,573
Receipts from finance lease debtors		37,520	42,780
Payments to finance lease creditors		(26,271)	(21,598)
Dividends paid		<u>(104,772)</u>	<u>(106,488)</u>
Net cash flows from financing activities		<u>(611,142)</u>	<u>(388,277)</u>
Net increase/(decrease) in cash and cash equivalents		285,756	(98,081)
Cash and cash equivalents at 1 February		<u>(335,388)</u>	<u>(237,307)</u>
Cash and cash equivalents at 31 January		<u><u>(49,632)</u></u>	<u><u>(335,388)</u></u>

The notes on pages 17 to 35 form an integral part of these financial statements.

# R N Smith Holdings Limited

## Statement of Cash Flows for the Year Ended 31 January 2016

	Note	2016 £	2015 £
<b>Cash flows from operating activities</b>			
Profit for the year		104,772	106,488
Adjustments to cash flows from non-cash items			
Finance income		<u>(104,772)</u>	<u>(106,488)</u>
Net cash flow from operating activities		-	-
<b>Cash flows from investing activities</b>			
Interest received		104,772	106,488
<b>Cash flows from financing activities</b>			
Dividends paid		<u>(104,772)</u>	<u>(106,488)</u>
Net increase/(decrease) in cash and cash equivalents		-	-
Cash and cash equivalents at 1 February		<u>-</u>	<u>-</u>
Cash and cash equivalents at 31 January		<u><u>-</u></u>	<u><u>-</u></u>

The notes on pages 17 to 35 form an integral part of these financial statements.

## **R N Smith Holdings Limited**

### **Notes to the Financial Statements for the Year Ended 31 January 2016**

#### **1 General information**

The company is a private company limited by share capital incorporated in England and Wales.

The address of its registered office is:

Rayrigg Showrooms  
Rayrigg Road  
Bowness  
Windermere  
Cumbria  
LA23 3DN

These financial statements were authorised for issue by the Board on 12 July 2016.

#### **2 Accounting policies**

##### **Summary of significant accounting policies and key accounting estimates**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

##### **Statement of compliance**

These financial statements were prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

##### **Basis of preparation**

These financial statements have been prepared using the historical cost convention except that as disclosed in the accounting policies certain items are shown at fair value.

##### **Basis of consolidation**

The consolidated financial statements consolidate the financial statements of the Company and its subsidiary undertakings drawn up to 31 January 2016.

## **R N Smith Holdings Limited**

### **Notes to the Financial Statements for the Year Ended 31 January 2016**

A subsidiary is an entity controlled by the Company. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the Profit and Loss Account from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Group.

The purchase method of accounting is used to account for business combinations that result in the acquisition of subsidiaries by the Group. The cost of a business combination is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the business combination. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Any excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised is recorded as goodwill.

Inter-company transactions, balances and unrealised gains on transactions between the Company and its subsidiaries, which are related parties, are eliminated in full.

Intra-group losses are also eliminated but may indicate an impairment that requires recognition in the consolidated financial statements.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group. Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling shareholder's share of changes in equity since the date of the combination.

#### **Revenue recognition**

Turnover comprises the fair value of the consideration received or receivable for the sale of goods and provision of services in the ordinary course of the Group's activities. Turnover is shown net of sales/value added tax, returns, rebates and discounts and after eliminating sales within the company.

The Group recognises revenue when:

The amount of revenue can be reliably measured;  
it is probable that future economic benefits will flow to the entity;  
and specific criteria have been met for each of the Group's activities.

#### **Tax**

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the group operates and generates taxable income.

## **R N Smith Holdings Limited**

### **Notes to the Financial Statements for the Year Ended 31 January 2016**

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements and on unused tax losses or tax credits in the Group, if this is material. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

The carrying amount of deferred tax assets are reviewed at each reporting date and a valuation allowance is set up against deferred tax assets so that the net carrying amount equals the highest amount that is more likely than not to be recovered based on current or future taxable profit.

#### **Property, plant and equipment**

Tangible assets are stated in the statement of financial position at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The cost of tangible assets includes directly attributable incremental costs incurred in their acquisition and installation.

The company has applied the option under FRS 102 section 35.10(d) to use the previously applied GAAP revaluation as deemed cost on transition.

#### **Depreciation**

Depreciation is charged so as to write off the cost of assets, other than land and properties under construction over their estimated useful lives, as follows:

<b>Asset class</b>	<b>Depreciation method and rate</b>
Improvements to property	8.3% straight line
Freehold land and buildings	Not provided
Plant and machinery	20% straight line
Motor vehicles	25% reducing balance

The directors believe that the policy of not providing depreciation on freehold property is necessary in order for the financial statements to give a true and fair view. The directors confirm that buildings are maintained to high standards of condition and the value is not significantly impaired by the passage of time. Consequently, any element of depreciation is not considered to be material. The directors review the market values with sufficient regularity to enable them to identify any material diminution in value, should that occur.

#### **Investment property**

Certain of the company's properties are held for long-term investment.

Investment properties are initially recognised at cost which includes purchase cost and any directly attributable expenditure.

Investment properties whose fair value can be measured reliably are measured at fair value. Fair values are based on market based evidence normally undertaken by professional valuers. Revaluations are undertaken with sufficient regularity to ensure that the carrying value is not materially different to the fair value. The surplus or deficit on revaluation is recognised in the profit and loss account accumulated in the profit and loss reserve unless a deficit below original cost, or its reversal, on an individual investment property is expected to be permanent, in which case it is recognised in the profit and loss account for the year.

## **R N Smith Holdings Limited**

### **Notes to the Financial Statements for the Year Ended 31 January 2016**

#### **Business combinations**

Business combinations are accounted for using the purchase method. The consideration for each acquisition is measured at the aggregate of the fair values at acquisition date of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquired, plus any costs directly attributable to the business combination. When a business combination agreement provides for an adjustment to the cost of the combination contingent on future events, the Group includes the estimated amount of that adjustment in the cost of the combination at the acquisition date if the adjustment is probable and can be measured reliably.

#### **Goodwill**

Goodwill is amortised over its useful life, which shall not exceed five years if a reliable estimate of the useful life cannot be made.

#### **Intangible assets**

Goodwill arising on the acquisition of an entity represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the entity recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is held in the currency of the acquired entity and revalued to the closing rate at each reporting period date.

Negative goodwill arising on an acquisition is recognised on the face of the balance sheet on the acquisition date and subsequently the excess up to the fair value of non-monetary assets acquired is recognised in profit or loss in the periods in which the non-monetary assets are recovered.

#### **Investments**

Investments in equity shares which are publicly traded or where the fair value can be measured reliably are initially measured at fair value, with changes in fair value recognised in profit or loss. Investments in equity shares which are not publicly traded and where fair value cannot be measured reliably are measured at cost less impairment.

Interest income on debt securities, where applicable, is recognised in income using the effective interest method. Dividends on equity securities are recognised in income when receivable.

#### **Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

#### **Trade debtors**

Trade debtors are amounts due from customers for merchandise sold or services performed in the ordinary course of business.

Trade debtors are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for the impairment of trade debtors is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables.

## **R N Smith Holdings Limited**

### **Notes to the Financial Statements for the Year Ended 31 January 2016**

#### **Stocks**

Stock is valued at the lower of cost and net realisable value, after due regard for obsolete and slow moving stocks. Net realisable value is based on selling price less anticipated costs to completion and selling costs.

At each reporting date, stocks are assessed for impairment. If stocks are impaired, the carrying amount is reduced to its selling price less costs to complete and sell; the impairment loss is recognised immediately in profit or loss.

#### **Trade creditors**

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if the Group does not have an unconditional right, at the end of the reporting period, to defer settlement of the creditor for at least twelve months after the reporting date. If there is an unconditional right to defer settlement for at least twelve months after the reporting date, they are presented as non-current liabilities.

Trade creditors are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

#### **Borrowings**

Interest-bearing borrowings are initially recorded at fair value, net of transaction costs. Interest-bearing borrowings are subsequently carried at amortised cost, with the difference between the proceeds, net of transaction costs, and the amount due on redemption being recognised as a charge to the Profit and Loss Account over the period of the relevant borrowing.

Interest expense is recognised on the basis of the effective interest method and is included in interest payable and similar charges.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

#### **Leases**

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

Assets held under finance leases are recognised at the lower of their fair value at inception of the lease and the present value of the minimum lease payments. These assets are depreciated on a straight-line basis over the shorter of the useful life of the asset and the lease term. The corresponding liability to the lessor is included in the Balance Sheet as a finance lease obligation.

Lease payments are apportioned between finance costs in the Profit and Loss Account and reduction of the lease obligation so as to achieve a constant periodic rate of interest on the remaining balance of the liability.

## R N Smith Holdings Limited

### Notes to the Financial Statements for the Year Ended 31 January 2016

#### Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

#### Dividends

Dividend distribution to the company's shareholders is recognised as a liability in the financial statements in the reporting period in which the dividends are declared.

#### Financial instruments

##### *Recognition and measurement*

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities. Where shares are issued, any component that creates a financial liability of the company is presented as a liability in the balance sheet. The corresponding dividends relating to the liability component are charged as an interest expense in the profit and loss account.

### 3 Revenue

The analysis of the group's revenue for the year from continuing operations is as follows:

	2016 £	2015 £
Motor trade	19,063,167	17,763,132
Childrens services	2,751,064	2,759,459
	<u>21,814,231</u>	<u>20,522,591</u>

### 4 Other operating income

The analysis of the group's other operating income for the year is as follows:

	2016 £	2015 £
Rental income	<u>45,413</u>	<u>39,480</u>

### 5 Other gains and losses

The analysis of the group's other gains and losses for the year is as follows:

	2016 £	2015 £
Gain (loss) on disposal of property, plant and equipment	<u>2,875</u>	<u>(7,883)</u>



## R N Smith Holdings Limited

### Notes to the Financial Statements for the Year Ended 31 January 2016

#### 6 Operating profit

Arrived at after charging/(crediting)

	2016 £	2015 £
Depreciation expense	54,029	67,104
Operating lease expense - property	76,793	79,027
Operating lease expense - other	2,760	2,885
(Profit)/loss on disposal of property, plant and equipment	<u>(2,875)</u>	<u>7,883</u>

#### 7 Other interest receivable and similar income

	2016 £	2015 £
Other finance income	<u>-5,168</u>	<u>41,612</u>

#### 8 Interest payable and similar charges

	2016 £	2015 £
Interest on bank overdrafts and borrowings	25,282	35,846
Interest on obligations under finance leases and hire purchase contracts	3,568	3,711
Interest expense on other finance liabilities	115,085	127,498
Other finance costs	<u>32</u>	<u>2,551</u>
	<u>143,967</u>	<u>169,606</u>

#### 9 Staff costs

The aggregate payroll costs (including directors' remuneration) were as follows:

	2016 £	2015 £
Wages and salaries	2,465,947	2,271,213
Social security costs	69,930	63,229
Other short-term employee benefits	11,577	12,095
Other employee expense	<u>118,312</u>	<u>122,826</u>
	<u>2,665,766</u>	<u>2,469,363</u>

## R N Smith Holdings Limited

### Notes to the Financial Statements for the Year Ended 31 January 2016

The average number of persons employed by the group (including directors) during the year, analysed by category was as follows:

	2016 No.	2015 No.
Service	15	15
Administration and support	12	10
Teachers	10	11
Carers	48	42
Sales	9	9
Managers	5	6
Other	15	15
Directors	6	6
	<u>120</u>	<u>114</u>

#### 10 Directors' remuneration

The directors' remuneration for the year was as follows:

	2016 £	2015 £
Remuneration	<u>124,393</u>	<u>124,448</u>

#### 11 Auditors' remuneration

	2016 £	2015 £
Audit of these financial statements	<u>15,000</u>	<u>15,000</u>

#### 12 Taxation

Tax charged/(credited) in the income statement

	2016 £	2015 £
<b>Current taxation</b>		
UK corporation tax	35,000	50,618
UK corporation tax adjustment to prior periods	<u>(2,885)</u>	<u>5,904</u>
	32,115	56,522
<b>Deferred taxation</b>		
Arising from origination and reversal of timing differences	<u>-</u>	<u>2,800</u>
Tax expense in the income statement	<u>32,115</u>	<u>59,322</u>

## R N Smith Holdings Limited

### Notes to the Financial Statements for the Year Ended 31 January 2016

The tax on profit before tax for the year is the same as the standard rate of corporation tax in the UK (2015 - the same as the standard rate of corporation tax in the UK) of 20% (2015 - 20%).

The differences are reconciled below:

	<b>2016</b> <b>£</b>	<b>2015</b> <b>£</b>
Profit before tax	<u>150,381</u>	<u>231,741</u>
Corporation tax at standard rate	30,076	46,348
Effect of expense not deductible in determining taxable profit (tax loss)	10,386	8,951
Effect of tax losses	-	(8,829)
Tax increase (decrease) from effect of capital allowances and depreciation	(7,970)	1,992
Tax increase (decrease) from other short-term timing differences	<u>(377)</u>	<u>10,860</u>
Total tax charge	<u><u>32,115</u></u>	<u><u>59,322</u></u>

#### **Deferred tax**

##### **Group**

Deferred tax assets and liabilities

	<b>Liability</b> <b>£</b>
<b>2016</b>	
Capital allowances in excess of depreciation	<u>7,800</u>
<b>2015</b>	
Capital allowances in excess of depreciation	<u>7,800</u>

## R N Smith Holdings Limited

### Notes to the Financial Statements for the Year Ended 31 January 2016

#### 13 Intangible assets

##### Group

	Goodwill £	Total £
<b>Cost or valuation</b>		
At 1 February 2015	(31,938)	(31,938)
At 31 January 2016	(31,938)	(31,938)
<b>Amortisation</b>		
At 1 February 2015	(31,938)	(31,938)
At 31 January 2016	(31,938)	(31,938)
<b>Carrying amount</b>		
At 31 January 2016	-	-
At 31 January 2015	-	-

#### 14 Property, plant and equipment

##### Group

	Land and buildings £	Motor vehicles £	Other property, plant and equipment £	Total £
<b>Cost or valuation</b>				
At 1 February 2015	2,718,208	79,363	1,230,417	4,027,988
Additions	38,607	40,520	29,158	108,285
Disposals	-	(13,500)	-	(13,500)
At 31 January 2016	2,756,815	106,383	1,259,575	4,122,773
<b>Depreciation</b>				
At 1 February 2015	91,703	27,266	1,159,084	1,278,053
Charge for the year	17,615	15,859	20,554	54,028
Eliminated on disposal	-	(3,375)	-	(3,375)
At 31 January 2016	109,318	39,750	1,179,638	1,328,706
<b>Carrying amount</b>				
At 31 January 2016	2,647,497	66,633	79,937	2,794,067
At 31 January 2015	2,626,505	52,097	71,333	2,749,935

## **R N Smith Holdings Limited**

### **Notes to the Financial Statements for the Year Ended 31 January 2016**

Included within the net book value of land and buildings above is £2,528,560 (2015 - £2,504,286) in respect of freehold land and buildings, £118,936 (2015 - £122,217) in respect of leasehold property improvements and £Nil (2015 - £Nil) in respect of short leasehold land and buildings.

#### **15 Investment properties**

##### **Group**

	<b>2016</b>
	<b>£</b>
At 1 February	<u>570,000</u>

##### **Revaluations**

The Freehold property and Investment property classes of fixed assets of R. Smith (Windermere) Limited were revalued on 1 July 2011 by Peill & Company Chartered Surveyors who is external to the company. The basis of this valuation was open market basis. This class of assets has a current value of £1,920,000 (2015 - £1,920,000) and a carrying amount at historical cost of £1,190,531 (2015 - £1,190,531.) The depreciation on this historical cost is £nil (2015 - £nil).

The company has applied the option under FRS 102 section 35.10(d) to use the previously applied GAAP revaluation as deemed cost on transition.

The directors have confirmed that they consider there to be no material difference between the carrying value of the property and its market value as at 31 January 2016.

## R N Smith Holdings Limited

### Notes to the Financial Statements for the Year Ended 31 January 2016

#### 16 Investments

##### Company

	2016 £	2015 £
Investments in subsidiaries	1,000	1,000
<b>Subsidiaries</b>		£
<b>Cost or valuation</b>		
At 1 February 2015		5,900
<b>Provision</b>		
At 1 February 2015		4,900
<b>Carrying amount</b>		
At 31 January 2016		1,000
At 31 January 2015		1,000

##### Details of undertakings

Details of the investments in which the company holds 20% or more of the nominal value of any class of share capital are as follows:

Undertaking	Country of incorporation	Holding	Proportion of voting rights and shares held 2016	2015
<b>Subsidiary undertakings</b>				
R. Smith (Windermere) Limited	England and Wales	Ordinary	100%	100%
North Lakes Childrens Services Limited	England and Wales	Ordinary	80%	80%
Rayrigg Motor Group Limited	England and Wales	Ordinary	100%	100%
Rayrigg Motors Limited	England and Wales		100%	100%

The principal activity of R. Smith (Windermere) Limited is Motor trader

The principal activity of North Lakes Childrens Services Limited is School and care provider

The principal activity of Rayrigg Motor Group Limited is Dormant

The principal activity of Rayrigg Motors Limited is Dormant

# R N Smith Holdings Limited

## Notes to the Financial Statements for the Year Ended 31 January 2016

### 17 Stocks

	Group		Company	
	2016 £	2015 £	2016 £	2015 £
Parts and accessories	135,023	158,676	-	-
New and used cars	1,487,315	1,640,417	-	-
	<u>1,622,338</u>	<u>1,799,093</u>	<u>-</u>	<u>-</u>

### 18 Debtors

		Group		Company	
	Note	2016 £	2015 £	2016 £	2015 £
Trade debtors		616,908	589,784	-	-
Other debtors		277,693	827,956	56,111	56,111
Prepayments		101,297	79,166	-	-
Deferred tax assets	12	<u>25,000</u>	<u>25,000</u>	<u>-</u>	<u>-</u>
Total current trade and other debtors		<u>1,020,898</u>	<u>1,521,906</u>	<u>56,111</u>	<u>56,111</u>

### 19 Cash and cash equivalents

	Group		Company	
	2016 £	2015 £	2016 £	2015 £
Cash on hand	5,007	1,793	-	-
Cash at bank	<u>154,144</u>	<u>1,705</u>	<u>-</u>	<u>-</u>
	159,151	3,498	-	-
Bank overdrafts	<u>(208,783)</u>	<u>(338,886)</u>	<u>-</u>	<u>-</u>
Cash and cash equivalents in statement of cash flows	<u>(49,632)</u>	<u>(335,388)</u>	<u>-</u>	<u>-</u>

# R N Smith Holdings Limited

## Notes to the Financial Statements for the Year Ended 31 January 2016

### 20 Creditors

		Group		Company	
	Note	2016 £	2015 £	2016 £	2015 £
<b>Due within one year</b>					
Loans and borrowings	22	1,021,562	1,315,765	-	-
Trade creditors		1,086,049	1,218,202	-	-
Social security and other taxes		183,505	80,272	-	-
Other payables		1,425,312	1,390,121	-	-
Accrued expenses		177,217	166,065	-	-
Income tax liability	12	29,795	46,185	-	-
		<u>3,923,440</u>	<u>4,216,610</u>	<u>-</u>	<u>-</u>
<b>Due after one year</b>					
Loans and borrowings	22	522,570	322,561	-	-
Other non-current financial liabilities		622,620	1,020,931	-	-
		<u>1,145,190</u>	<u>1,343,492</u>	<u>-</u>	<u>-</u>



# R N Smith Holdings Limited

## Notes to the Financial Statements for the Year Ended 31 January 2016

### 21 Share capital

#### Allotted, called up and fully paid shares

	2016		2015	
	No.	£	No.	£
Ordinary shares of £1 each	12,000	12,000	12,000	12,000
'A' Ordinary shares of £1 each	375	375	375	375
'B' Ordinary shares of £1 each	375	375	375	375
'C' Ordinary shares of £1 each	375	375	375	375
'D' Ordinary shares of £1 each	375	375	375	375
'E' Ordinary shares of £1 each	375	375	375	375
'F' Ordinary shares of £1 each	375	375	375	375
'G' Ordinary shares of £1 each	375	375	375	375
'H' Ordinary shares of £1 each	375	375	375	375
	<u>15,000</u>	<u>15,000</u>	<u>15,000</u>	<u>15,000</u>

### 22 Loans and borrowings

	Group		Company	
	2016 £	2015 £	2016 £	2015 £
<b>Non-current loans and borrowings</b>				
Bank borrowings	499,621	303,911	-	-
Finance lease liabilities	<u>22,949</u>	<u>18,650</u>	<u>-</u>	<u>-</u>
	<u>522,570</u>	<u>322,561</u>	<u>-</u>	<u>-</u>
	Group		Company	
	2016 £	2015 £	2016 £	2015 £
<b>Current loans and borrowings</b>				
Bank borrowings	171,753	259,786	-	-
Bank overdrafts	208,783	338,886	-	-
Finance lease liabilities	26,885	19,935	-	-
Other borrowings	<u>614,141</u>	<u>697,158</u>	<u>-</u>	<u>-</u>
	<u>1,021,562</u>	<u>1,315,765</u>	<u>-</u>	<u>-</u>

## **R N Smith Holdings Limited**

### **Notes to the Financial Statements for the Year Ended 31 January 2016**

#### **Group**

##### **Bank borrowings**

The bank overdraft is secured by a first legal mortgage over the freehold property of the subsidiary undertaking, North Lakes Childrens Services Limited known as Kirby Moor School in Brampton, Rayrigg Showrooms, Rayrigg Road, Bowness-on-Windermere, Rayrigg Motors, White Lund, Morecambe and the investment properties held by R Smith (Windermere) Limited known as St Martins Parade. There are also unscheduled mortgage debentures incorporating a fixed and floating charge over all current and future assets of all group companies.

#### **23 Dividends**

The directors are proposing no final dividend .

#### **24 Commitments**

##### **Group**

##### **Capital commitments**

The total amount contracted for but not provided in the financial statements was £Nil (2015 - £Nil).

##### **Company**

##### **Capital commitments**

The total amount contracted for but not provided in the financial statements was £Nil (2015 - £Nil).

## **R N Smith Holdings Limited**

### **Notes to the Financial Statements for the Year Ended 31 January 2016**

#### **25 Related party transactions**

##### **Group**

##### **Transactions with directors**

##### **Other transactions with directors**

R N Smith (Director of a group company)

Loans on which interest of £5,139 (2015: £4,974) has been paid during the year by the company. At the balance sheet date the amount due to R N Smith was £104,840 (2015:£101,099.)

R G Smith (Director)

Loans on which interest of £617 (2015: £592) has been paid during the year by the company. At the balance sheet date the amount due to R G Smith was £200 (2015:£12,127.)

D N Smith (Director)

Loans on which interest of £3,093 (2015: £5,862) has been paid during the year. At the balance sheet date the amount due to D N Smith was £33,292 (2015:£93,928)

D N Smith and J I Smith (Director and wife)

Loans on which interest of £42,700 (2015:£42,700) has been paid during the year. At the balance sheet date the amount due to D N and J I Smith was £610,000 (2015: £610,000.)

R G Smith and R N Smith

Loans of which interest of £10,625 (2015: £20,100) has been paid during the year. At the balance sheet date the amount due to R G and R N Smith was £0 (2015: £398,803.)

A M Spiby (Director of a group company)

Loans on which interest of £534 (2015: £513) has been paid during the year. At the balance sheet date the amount due to A M Spiby was £10,921 (2015: £10,496.)

##### **Summary of transactions with subsidiaries**

North Lakes Childrens Services Limited

80% owned subsidiary of which R G Smith, C P Smith and D N Smith are directors

During the year, the company sold motor vehicles for £40,520 (2015: £42,780) plus sales of fuel, motor vehicle repairs and maintenance of £32,972 (2015:£30,729) to North Lakes Childrens Services Limited.

Amounts are owed to the company by North Lakes Childrens Services Limited. Loan interest of £267,260 (2015:£251,807) was charged during the year. At the balance sheet date the amount due from North Lakes Childrens Services Limited was £1,883,962 (2015:£1,711,672.)

## **R N Smith Holdings Limited**

### **Notes to the Financial Statements for the Year Ended 31 January 2016**

#### **Summary of transactions with other related parties**

Fairway (Golf Shops) Limited

D N Smith is a director and shareholder of this company

Amounts are owed to the company by this related party. No loan interest is charged. At the balance sheet date the amount due from Fairway (Golf Shops) Limited was £83,195 (2015 : £83,195.)

Biskey Howe Investments Limited

R G Smith and D N Smith are directors and shareholders in the company.

There are loans with this related party. Net interest of (£3,733) was paid in the year, (2015: £20,081 was received by the company.) At the balance sheet date the amount due (to)/from Biskey Howe Investments Limited was (£186,590) (2015 : £519,015).

R Smith (Windermere) Directors Retirement Plan

A pension scheme of which R G Smith and D N Smith are trustees and members.

Amounts were owed to the pension scheme by the company. Loan interest of £10,200 (2015: £10,200) was charged in the year. At the balance sheet date the amount due to R Smith (Windermere) Directors Retirement Plan was £195,000 (2015: £212,000.)

## **R N Smith Holdings Limited**

### **Notes to the Financial Statements for the Year Ended 31 January 2016**

#### **Company**

##### **Transactions with directors**

##### **Other transactions with directors**

During the year the company made the following related party transactions:

R N Smith (Director of a group company)

During the year the company paid dividends of £14,436 to the director. At the balance sheet date the amount due to R N Smith was £nil (2015 - £nil).

R G Smith (Director)

During the year the company paid dividends of £5,832 to the director. At the balance sheet date the amount due to R G Smith was £nil (2015 - £nil).

D N Smith (Director)

During the year the company paid dividends of £61,908 to the director. At the balance sheet date the amount due to D N Smith was £nil (2015 - £nil).

C P Smith (Director of a group company)

During the year the company paid dividends of £24,312 to the director. At the balance sheet date the amount due to C P Smith was £nil (2015 - £nil).

R N Smith Settlement (Trust of which D N Smith and R G Smith are directors and members)

Loans are due from this related party. At the balance sheet date the amount due from R N Smith Settlement was £44,430 (2015 - £44,430).

#### **26 Transition to FRS 102**

This is the first year that the group has presented its financial statements under Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council. The group has applied the option, under FRS 102 section 35.10(d), to use the previously applied GAAP revaluation as deemed cost on transition. The last financial statements under previous UK GAAP were for the year ended 31 January 2015 and the date of transition was therefore 1 February 2014. The application of FRS 102 had no material impact on the financial statements as prepared under UK GAAP.