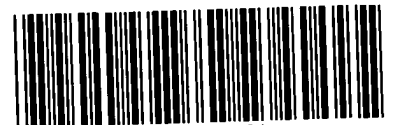


Company Registration No. 00784842 (England and Wales)

**AFM HOLDINGS LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 OCTOBER 2016**

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# AFM HOLDINGS LIMITED

## COMPANY INFORMATION

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<b>Director</b>	P. D. Merritt
<b>Secretary</b>	P. W. Bass
<b>Company number</b>	00784842
<b>Registered office</b>	38 Weyside Road Guildford Surrey GU1 1JB
<b>Auditor</b>	Ward Williams Belgrave House 39 - 43 Monument Hill Weybridge Surrey KT13 8RN
<b>Bankers</b>	Barclays Bank PLC 19 North Street Guildford Surrey GU1 4AG

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# AFM HOLDINGS LIMITED

## CONTENTS

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	<b>Page</b>
Strategic report	1 - 2
Director's report	3
Independent auditor's report	4 - 5
Income statement	6
Statement of comprehensive income	7
Group and company statement of financial positions	8
Group statement of changes in equity	9
Company statement of changes in equity	10
Group statement of cash flows	11
Notes to the financial statements	12 - 36

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# AFM HOLDINGS LIMITED

## STRATEGIC REPORT

**FOR THE YEAR ENDED 31 OCTOBER 2016**

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The director presents the strategic report for the year ended 31 October 2016.

### Review of the business

The Group's principal activities during the year remained the installation and maintenance of mechanical and electrical systems, both commercial and residential, to the Building Services industry, plus the provision of goods, services and maintenance for swimming pools including the building of pools from scratch.

In difficult market conditions the Group saw sales decrease by 6.0% in comparison with the previous year. There were a number of contributory factors which affected the result for the year. Principally, 3 projects secured by BTU (Installation & Maintenance) Limited, with a combined value of £1.29million, were all delayed until 2017 for a number of reasons. Had these projects taken place when originally scheduled, the Group would have seen an increase in the year instead. In addition, budget pressures and procurement changes on Local Authority contracts saw the investments made by the Group in bidding for Frameworks not yet see returns but these will start to come to fruition from 2017 onwards. Lastly, upheaval caused by a change in management saw a drop in sales in BTU (Poolservices) Limited, but this is being recovered this year. Due to these issues and another large loss being incurred in the subsidiary involved in the catering trade, the Group made a loss in the year.

The catering trade, which is not significant to the Group in terms of turnover (1.04%), made a large loss in the year totalling £111,811. Having been created by the Group as a new income stream in 2014 following investment in a restaurant, the Group took the decision to divest itself of it in 2016 with the sale of all interest completed by the year end. There will therefore be no further losses incurred going forward.

As a result of the delayed projects going into 2017, a number of new prestigious maintenance contracts coming online and improvements in BTU (Poolservices) Limited, the Group has been profitable in the first half of the year from turnover of £6.69million and has a secure order position that will see a turnover in excess of £12.5million and a profit returned for the year.

The balance sheet of the financial statements shows a decrease of 8.2% in the net assets, due to the overall loss made by the Group for the year. The available cash balance of the Group has decreased by 51.5% due to a combination of the loss, plus the investment of over £1million in property and IT systems in the period.

### Environmental and social responsibility

The group takes its environmental and social responsibilities very seriously, understanding the importance of the contribution the group makes.

### Employees

The group aims to ensure its workforce are safe, healthy and fulfilled. To such end the group has in place comprehensive Health & Safety and training policies alongside regular employee appraisals and consultation. Details of the number of employees and related costs can be found in note 6 to the financial statements.

Key financial highlights are as follows:

	2016	2015
	£	£
Turnover	11,544,216	12,277,397
(Loss)/Profit before tax	(329,542)	575,653

Gross profit margin for the year ended 31 October 2016 was 29% (2015: 34%).

# AFM HOLDINGS LIMITED

## STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2016

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### Financial Instruments and principal risks

The group's principal financial instruments comprise bank balances, trade creditors and trade debtors. The main purpose of these instruments is to raise funds for the group's operations and to finance the group's operations.

Due to the nature of the financial instruments used by the group there is no exposure to price risk. The group's approach to managing other risks applicable to the financial instruments concerned is shown below.

In respect of bank balances the liquidity risk is managed centrally to maximise interest income whilst ensuring that the group has sufficient liquid resources to meet the operating needs of its businesses. The group is exposed to fair value interest rate risk on its deposits and loans. Investment of cash surpluses are made through banks and companies which must fulfil credit rating criteria approved by the Board.

All customers wishing to trade on credit terms are subject to credit verification procedures. Receivable balances are monitored on an ongoing basis and provision is made for doubtful debts where necessary.

### Future developments

Despite the ongoing challenging market conditions, the directors are delighted to announce the Group were successful in renewing the contract for Domestic Gas Servicing and Repair for 12,500 dwellings owned by the London Borough of Camden ("LBC"), directly for the Council. The contract is worth a minimum of £2million per annum, running until March 2021, with the option to extend through to 2026.

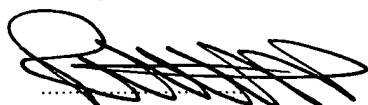
In addition, the Group has secured a place on 2 further Better Homes Framework agreements for LBC. The Council has committed to a spend of £56million up to 2020, shared between the 5 chosen partners. It is hoped the project will start in earnest during 2017 and we will secure a significant amount of work from late 2017 onwards.

With these successes, the Directors have continued a significant investment in new IT systems designed to greatly increase efficiency both in the field and back office. Initially rolled out for LBC, the system is being introduced on a contract by contract basis with the aim of running throughout the whole Group by the end of 2017.

Following the LBC award and later successes in procuring other long term maintenance contracts in the Capital, the Directors are moving ahead with the creation of a Central London hub as we look to significantly grow our share of the London domestic and commercial service and repair market over the next few years. A property has been purchased outright by the Group and following a state-of-the-art fit out, a new Central London office will open for business early in 2018.

Meanwhile efforts continue to expand both our client base throughout the South and South East of England and increase our capabilities in environmentally sustainable technologies, such as renewable energies.

On behalf of the board



P. D. Merritt

Director

24/7/17

# AFM HOLDINGS LIMITED

## DIRECTOR'S REPORT

**FOR THE YEAR ENDED 31 OCTOBER 2016**

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The director presents his annual report and financial statements for the year ended 31 October 2016.

### Director

The director who held office during the year and up to the date of signature of the financial statements was as follows:

P. D. Merritt

### Results and dividends

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

Ordinary dividends were paid amounting to £151,275. The director does not recommend payment of a further dividend.

### Auditor

The auditor, Ward Williams, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

### Statement of director's responsibilities

The director is responsible for preparing the Strategic Report, Director's Report and the financial statements in accordance with applicable law and regulations.

Company law requires the director to prepare financial statements for each financial year. Under that law the director has 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 director must not approve the financial statements unless he is satisfied that they give a true and fair view of the state of affairs of the company and of the group and of the profit or loss of the group for that period. In preparing these financial statements, the director is required to:


- select suitable accounting policies and then 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The director is 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 the group and enable him to ensure that the financial statements comply with the Companies Act 2006. He is also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the auditor of the company and group is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the auditor of the company and group is aware of that information.

On behalf of the board



P. D. Merritt

Director

24/7/17

# **AFM HOLDINGS LIMITED**

## **INDEPENDENT AUDITOR'S REPORT**

### **TO THE MEMBERS OF AFM HOLDINGS LIMITED**

---

We have audited the financial statements of AFM Holdings Limited for the year ended 31 October 2016 set out on pages 6 to 36. 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 director and auditor**

As explained more fully in the Director's Responsibilities Statement set out on page 3, the director is 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 director; 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 financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 October 2016 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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

In our opinion, based on the work undertaken in the course of our audit, the information given in the Strategic Report and the Director's Report for the financial year for which the financial statements are prepared is consistent with the financial statements, and the Strategic Report and the Director's Report have been prepared in accordance with applicable legal requirements.

# AFM HOLDINGS LIMITED

## INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF AFM HOLDINGS LIMITED

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### **Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and the Director's Report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept 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.

Ward Williams

Richard Hayward (Senior Statutory Auditor)  
for and on behalf of Ward Williams

25 July 2017

Chartered Accountants  
Statutory Auditor

# AFM HOLDINGS LIMITED

## GROUP INCOME STATEMENT

FOR THE YEAR ENDED 31 OCTOBER 2016

	Notes	2016 £	2015 £
Revenue	3	11,544,216	12,277,397
Cost of sales		(8,169,918)	(8,080,474)
<b>Gross profit</b>		<b>3,374,298</b>	<b>4,196,923</b>
Distribution costs		(231,556)	(244,887)
Administrative expenses		(3,565,837)	(3,397,791)
<b>Operating (loss)/profit</b>	<b>4</b>	<b>(423,095)</b>	<b>554,245</b>
Investment income	8	36,857	25,068
Finance costs	9	(1,702)	(2,908)
Other gains and losses		58,398	(752)
<b>(Loss)/profit before taxation</b>		<b>(329,542)</b>	<b>575,653</b>
Taxation	10	41,210	(132,116)
<b>(Loss)/profit for the financial year</b>	<b>29</b>	<b>(288,332)</b>	<b>443,537</b>

(Loss)/profit for the financial year is all attributable to the owners of the parent company.

The income statement has been prepared on the basis that all operations are continuing operations.

# AFM HOLDINGS LIMITED

## GROUP STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 OCTOBER 2016

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	2016 £	2015 £
(Loss)/profit for the year	(288,332)	443,537
Other comprehensive income	-	-
<b>Total comprehensive income for the year</b>	<u>(288,332)</u>	<u>443,537</u>

Total comprehensive income for the year is all attributable to the owners of the parent company.

# AFM HOLDINGS LIMITED

## GROUP AND COMPANY STATEMENT OF FINANCIAL POSITIONS

AS AT 31 OCTOBER 2016

	Notes	Group 2016 £	2015 £	Company 2016 £	2015 £
<b>Fixed assets</b>					
Property, plant and equipment	13	1,509,592	485,697	772,323	480,878
Investment properties	14	-	-	733,656	-
Investments	15	-	-	290,310	290,310
		<u>1,509,592</u>	<u>485,697</u>	<u>1,796,289</u>	<u>771,188</u>
<b>Current assets</b>					
Inventories	18	275,896	326,468	-	-
Trade and other receivables	19	2,846,206	2,926,079	606,054	545,772
Investments	20	1,029,818	942,496	1,029,818	942,496
Cash at bank and in hand		1,401,107	2,892,910	263,461	213,417
		<u>5,553,027</u>	<u>7,087,953</u>	<u>1,899,333</u>	<u>1,701,685</u>
<b>Current liabilities</b>	21	(2,078,743)	2,165,167	(2,591,863)	1,477,721
<b>Net current assets/(liabilities)</b>		<u>3,474,284</u>	<u>4,922,786</u>	<u>(692,530)</u>	<u>223,964</u>
<b>Total assets less current liabilities</b>		<u>4,983,876</u>	<u>5,408,483</u>	<u>1,103,759</u>	<u>995,152</u>
<b>Non-current liabilities</b>	22	(6,250)	(31,250)	(6,250)	(31,250)
<b>Provisions for liabilities</b>	24	(100,000)	(60,000)	(100,000)	(60,000)
<b>Net assets</b>		<u>4,877,626</u>	<u>5,317,233</u>	<u>997,509</u>	<u>903,902</u>
<b>Equity</b>					
Called up share capital	26	75,000	75,000	75,000	75,000
Share premium account	27	993	993	993	993
Capital redemption reserve	28	14,242	14,242	-	-
Retained earnings	29	4,787,391	5,226,998	921,516	827,909
<b>Total equity</b>		<u>4,877,626</u>	<u>5,317,233</u>	<u>997,509</u>	<u>903,902</u>

As permitted by s408 Companies Act 2006, the company has not presented its own income statement and related notes. The company's profit for the year was £244,882 (2015 - £95,567 profit).

The financial statements were approved and signed by the director and authorised for issue on 24/7/17

  
P. D. Merritt  
Director

Company Registration No. 00784842

# AFM HOLDINGS LIMITED

## GROUP STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 OCTOBER 2016

	Notes	Share capital £	Share premium account £	Capital redemption reserve £	Retained earnings £	Total £
<b>Balance at 1 November 2014</b>		75,000	993	14,242	4,898,711	4,988,946
Effect of transition to FRS 102		-	-	-	36,025	36,025
<b>As restated</b>		75,000	993	14,242	4,934,736	5,024,971
<b>Year ended 31 October 2015:</b>						
Profit and total comprehensive income for the year		-	-	-	443,537	443,537
Dividends	11	-	-	-	(151,275)	(151,275)
<b>Balance at 31 October 2015</b>		75,000	993	14,242	5,226,998	5,317,233
<b>Year ended 31 October 2016:</b>						
Loss and total comprehensive income for the year		-	-	-	(288,332)	(288,332)
Dividends	11	-	-	-	(151,275)	(151,275)
<b>Balance at 31 October 2016</b>		75,000	993	14,242	4,787,391	4,877,626

# AFM HOLDINGS LIMITED

## COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 OCTOBER 2016

	Notes	Share capital £	Share premium account £	Retained earnings £	Total £
<b>Balance at 1 November 2014</b>		75,000	993	847,592	923,585
Effect of transition to FRS 102		-	-	36,025	36,025
<b>As restated</b>		75,000	993	883,617	959,610
<b>Year ended 31 October 2015:</b>					
Profit and total comprehensive income for the year		-	-	95,567	95,567
Dividends	11	-	-	(151,275)	(151,275)
<b>Balance at 31 October 2015</b>		75,000	993	827,909	903,902
<b>Year ended 31 October 2016:</b>					
Profit and total comprehensive income for the year		-	-	244,882	244,882
Dividends	11	-	-	(151,275)	(151,275)
<b>Balance at 31 October 2016</b>		75,000	993	921,516	997,509

# AFM HOLDINGS LIMITED

## GROUP STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 OCTOBER 2016

	Notes	2016 £	£	2015 £	£
<b>Cash flows from operating activities</b>					
Cash (absorbed by)/generated from operations	34		(38,621)		1,060,029
Interest paid			(1,702)		(2,908)
Income taxes paid			(116,226)		(193,974)
<b>Net cash (outflow)/inflow from operating activities</b>			(156,549)		863,147
<b>Investing activities</b>					
Purchase of property, plant and equipment		(1,228,138)		(145,416)	
Proceeds on disposal of property, plant and equipment		74,726		5,599	
Current asset investment gains and income reinvested		(87,322)		(23,178)	
Gains/(Losses) on current asset investments		58,398		(752)	
Interest received		7,929		1,119	
Dividends received		28,928		23,949	
<b>Net cash used in investing activities</b>			(1,145,479)		(138,679)
<b>Financing activities</b>					
Proceeds from borrowings		-		75,000	
Repayment of borrowings		(38,500)		(50,083)	
Dividends paid to equity shareholders		(151,275)		(151,275)	
<b>Net cash used in financing activities</b>			(189,775)		(126,358)
<b>Net (decrease)/increase in cash and cash equivalents</b>			(1,491,803)		598,110
Cash and cash equivalents at beginning of year			2,892,910		2,294,800
<b>Cash and cash equivalents at end of year</b>			1,401,107		2,892,910

# AFM HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2016

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### 1 Accounting policies

#### Company information

AFM Holdings Limited ("the company") is a private limited company domiciled and incorporated in England and Wales. The registered office is 38 Weyside Road, Guildford, Surrey, GU1 1JB.

The group consists of AFM Holdings Limited and all of its subsidiaries.

#### 1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

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

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of freehold properties and to include investment properties and certain financial instruments at fair value. The principal accounting policies adopted are set out below.

These group and company financial statements for the year ended 31 October 2016 are the first financial statements of AFM Holdings Limited and the group prepared in accordance with FRS 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland. The financial statements for the preceding period were prepared in accordance with previous UK GAAP. The date of transition to FRS 102 was 1 November 2014. An explanation of how transition to FRS 102 has affected the reported financial position and financial performance is given in note 35.

The company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements for parent company information presented within the consolidated financial statements:

- Section 7 'Statement of Cash Flows' – Presentation of a statement of cash flow and related notes and disclosures;

The consolidated financial statements incorporate those of AFM Holdings Limited and all of its subsidiaries (ie entities that the group controls through its power to govern the financial and operating policies so as to obtain economic benefits).

All financial statements are made up to 31 October 2016.

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

#### 1.2 Going concern

At the time of approving the financial statements, the director has a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. Although the group has made a trading loss for the year there are specific reasons behind this (see the strategic report on pages 1-2 for further information) and the expectation is for the group to return to profit in the coming year. Thus the director continues to adopt the going concern basis of accounting in preparing the financial statements.

# AFM HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 OCTOBER 2016

### 1 Accounting policies

(Continued)

#### 1.3 Revenue

Revenue is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

Revenue from the sale of goods and services is recognised when the significant risks and rewards of ownership of the goods and services have passed to the buyer (usually on dispatch of the goods or completion of service), the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

#### 1.4 Property, plant and equipment

Property, plant and equipment are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

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

Land and buildings Freehold	No depreciation charged
Land and buildings Leasehold	20% straight line basis
Plant and machinery	10-25% straight line basis
Fixtures, fittings & equipment	10-25% straight line basis
Computer equipment	25% straight line basis
Motor vehicles	25% reducing balance basis

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in the income statement.

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

No depreciation has been provided with regards freehold land and buildings which is a departure from the general requirements of FRS 102 for all property, plant and equipment to be depreciated. The directors consider that this departure is required in order for the financial statements to show a true and fair view. Depreciation or amortisation is only one of many factors reflected in the annual valuation and the amount of this which might otherwise have been charged cannot be separately identified or quantified.

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

#### 1.5 Non-current investments

Equity investments are measured at fair value through profit or loss, except for those equity investments that are not publicly traded and whose fair value cannot otherwise be measured reliably, which are recognised at cost less impairment until a reliable measure of fair value becomes available.

In the parent company financial statements, investments in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses.

# AFM HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 OCTOBER 2016

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#### 1 Accounting policies

(Continued)

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

##### 1.6 Impairment of non-current assets

At each reporting period end date, the group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

The carrying amount of the investments accounted for using the equity method is tested for impairment as a single asset. Any goodwill included in the carrying amount of the investment is not tested separately for impairment.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

##### 1.7 Inventories

Inventories are stated at the lower of cost and net realisable value.

Net realisable value is the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

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

##### 1.8 Construction contracts

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting end date. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

When it is probable that total contract costs will exceed total contract turnover, the expected loss is recognised as an expense immediately.

Where the outcome of a construction contract cannot be estimated reliably, contract costs are recognised as expenses in the period in which they are incurred and contract revenue is recognised to the extent of contract costs incurred where it is probable that they will be recoverable.

# AFM HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 OCTOBER 2016

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### 1 Accounting policies

(Continued)

#### 1.9 Cash and cash equivalents

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

#### 1.10 Financial instruments

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

Financial instruments are recognised in the group's statement of financial position when the group becomes party to the contractual provisions of the instrument.

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

##### **Basic financial assets**

Basic financial assets, which include trade and other receivables and cash and bank balances, are measured at transaction price, less any impairment.

##### **Other financial assets**

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

##### **Impairment of financial assets**

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

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. The impairment loss is recognised in profit or loss.

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

##### **Derecognition of financial assets**

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the group transfers the financial asset and substantially all the risks and rewards of ownership to another entity.

##### **Classification of financial liabilities**

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

# AFM HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 OCTOBER 2016

### 1 Accounting policies

(Continued)

Basic financial liabilities, including trade and other payables and loans from fellow group companies are recognised at transaction price. Financial liabilities classified as payable within one year are not amortised.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

#### **Derecognition of financial liabilities**

Financial liabilities are derecognised when the group's contractual obligations expire or are discharged or cancelled.

#### 1.11 Equity instruments

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

#### 1.12 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

##### **Current tax**

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

##### **Deferred tax**

Deferred tax liabilities are generally recognised for all timing differences and 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. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset if, and only if, there is a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

#### 1.13 Employee benefits

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

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

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

# AFM HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2016

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### 1 Accounting policies

(Continued)

#### 1.14 Retirement benefits

The group operates defined contribution pension schemes. The assets of the schemes are held separately from those of the group in an independently administered fund. Contributions payable are charged to the profit and loss account in the year they are payable.

#### 1.15 Leases

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

### 2 Judgements and key sources of estimation uncertainty

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

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

#### **Critical judgements**

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

#### ***Useful lives of property, plant and equipment***

In determining appropriate depreciation rates to apply against property, plant and equipment, the director has used his knowledge and experience of both the group and the industry to assess the useful lives of each individual asset.

#### ***Valuation of Investment Freehold property***

During the year the holding company of the group purchased a freehold property with the intention being that it will be rented to and occupied by the main trading subsidiary of the group, BTU (Installation & Maintenance) Limited, once it is refurbished. The property is therefore included within Investment properties for the company purposes, but property, plant and equipment for group purposes. With the purchase taking place close to the year-end (8 July 2016) the director has assessed the valuation of the property at the year-end to be the cost price. In future years the director will use valuations obtained from market experts, using their knowledge and experience of the local property market, to revalue the property at an appropriate fair value.

#### ***Provision for the impairment of trade receivables***

The company establishes a provision for the impairment of trade receivables in accordance with its policy in note 1. The recoverable amount of the receivables is compared to the carrying amount to determine the amount of impairment. These calculations require the use of estimates.

#### ***Income recognition on long term contracts***

In accordance with its policy set out in note 1, the director has used his knowledge and experience of the work being undertaken by the company around the year-end to determine the appropriate amount of revenue to recognise in a given period, based on the percentage completion of the job and costs incurred at that point. Revenue has then been either accrued or deferred accordingly.

# AFM HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 OCTOBER 2016

### 3 Revenue

An analysis of the group's revenue is as follows:

	2016 £	2015 £
<b>Turnover</b>	11,544,216	12,277,397
<b>Other significant revenue</b>		
Interest income	7,929	1,119
Dividends received	28,928	23,949

The total turnover for the group for the period has been derived from its principal activities wholly undertaken in the United Kingdom.

### 4 Operating (loss)/profit

	2016 £	2015 £
Operating (loss)/profit for the year is stated after charging/(crediting):		
Exchange gains	(63)	(218)
Depreciation of owned property, plant and equipment	133,704	130,464
(Profit)/loss on disposal of property, plant and equipment	(4,187)	4,213
Amortisation of intangible assets	-	33,000
Cost of inventories recognised as an expense	3,304,800	3,432,876
Operating lease charges	185,692	195,355

### 5 Auditor's remuneration

	2016 £	2015 £
Fees payable to the company's auditor and associates:		
<b>For audit services</b>		
Audit of the financial statements of the group and company	11,000	10,000
Audit of the financial statements of the company's subsidiaries	37,300	37,300
	48,300	47,300

# AFM HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2016

### 6 Employees

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

	Group 2016 Number	2015 Number	Company 2016 Number	2015 Number
Management	6	6	1	1
Production	54	61	-	-
Administration	66	58	-	-
	<u>126</u>	<u>125</u>	<u>1</u>	<u>1</u>

Their aggregate remuneration comprised:

	Group 2016 £	2015 £	Company 2016 £	2015 £
Wages and salaries	3,989,681	3,732,247	-	-
Social security costs	404,783	387,162	-	-
Pension costs	93,171	83,910	52,500	60,000
	<u>4,487,635</u>	<u>4,203,319</u>	<u>52,500</u>	<u>60,000</u>

### 7 Director's remuneration

	2016 £	2015 £
Remuneration for qualifying services	25,415	39,478
Company pension contributions to defined contribution schemes	52,490	60,150
	<u>77,905</u>	<u>99,628</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 1 (2015 - 1).

# AFM HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2016

### 8 Investment income

	2016	2015
	£	£
<b>Interest income</b>		
Interest on bank deposits	7,826	1,119
Other interest income	103	-
	<u>7,929</u>	<u>1,119</u>
Total interest revenue	7,929	1,119
<b>Other income from investments</b>		
Dividends received	28,928	23,949
	<u>28,928</u>	<u>23,949</u>
Total income	<u>36,857</u>	<u>25,068</u>

Investment income includes the following:

Interest on financial assets not measured at fair value through profit or loss	7,826	1,119
Dividends from financial assets measured at fair value through profit or loss	28,928	23,949
	<u>28,928</u>	<u>23,949</u>

### 9 Finance costs

	2016	2015
	£	£
<b>Interest on financial liabilities measured at amortised cost:</b>		
Interest on bank overdrafts and loans	9	35
<b>Other finance costs:</b>		
Other interest	1,693	2,873
	<u>1,693</u>	<u>2,873</u>
Total finance costs	<u>1,702</u>	<u>2,908</u>

# AFM HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 OCTOBER 2016

### 10 Taxation

	2016 £	2015 £
<b>Current tax</b>		
UK corporation tax on profits for the current period	-	135,116
Adjustments in respect of prior periods	(53,210)	-
Total current tax	(53,210)	135,116
<b>Deferred tax</b>		
Origination and reversal of timing differences	12,000	(3,000)
Total tax (credit)/charge	(41,210)	132,116

The actual charge for the year can be reconciled to the expected charge based on the profit or loss and the standard rate of tax as follows:

	2016 £	2015 £
(Loss)/profit before taxation	(329,542)	575,653
Expected tax (credit)/charge based on the standard rate of corporation tax in the UK of 20.00% (2015: 20.39%)	(65,908)	117,376
Tax effect of expenses that are not deductible in determining taxable profit	21,406	24,287
Gains not taxable	-	153
Unutilised tax losses carried forward	17,868	-
Effect of change in corporation tax rate	(1,098)	-
Permanent capital allowances in excess of depreciation	(38,057)	(1,817)
Effect of revaluations of investments	(9,349)	-
Other permanent differences	(286)	-
Deferred tax movement re accelerated capital allowances	40,000	(3,000)
Dividend income	(5,786)	(4,883)
Taxation (credit)/charge for the year	(41,210)	132,116

### 11 Dividends

	2016 £	2015 £
Final paid	151,275	151,275

# AFM HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 OCTOBER 2016

### 12 Intangible fixed assets

<b>Group</b>	<b>Goodwill</b>
	<b>£</b>
<b>Cost</b>	
At 1 November 2015	66,000
Disposals	(66,000)
	<hr/>
At 31 October 2016	-
	<hr/>
<b>Amortisation and impairment</b>	
At 1 November 2015	66,000
Disposals	(66,000)
	<hr/>
At 31 October 2016	-
	<hr/>
<b>Carrying amount</b>	
At 31 October 2016	-
	<hr/> <hr/>
At 31 October 2015	-
	<hr/> <hr/>
<b>Company</b>	<b>Goodwill</b>
	<b>£</b>
<b>Cost</b>	
At 1 November 2015	66,000
Disposals	(66,000)
	<hr/>
At 31 October 2016	-
	<hr/>
<b>Amortisation and impairment</b>	
At 1 November 2015	66,000
Disposals	(66,000)
	<hr/>
At 31 October 2016	-
	<hr/>
<b>Carrying amount</b>	
At 31 October 2016	-
	<hr/> <hr/>
At 31 October 2015	-
	<hr/> <hr/>

The above goodwill related to the purchase of a restaurant business on 29 October 2013. The restaurant however ceased trading in April 2016, and the business was disposed of during the year.

## AFM HOLDINGS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 OCTOBER 2016

#### 13 Property, plant and equipment

Group	Land and buildings Freehold £	Land and buildings Leasehold £	Plant and machinery £	Fixtures, fittings & equipment £	Computer equipment £	Motor vehicles £	Total £
<b>Cost</b>							
At 1 November 2015	-	58,925	177,907	113,567	30,619	523,659	904,677
Additions	733,656	-	1,695	-	274,042	218,745	1,228,138
Disposals	-	(37,055)	-	(67,969)	-	(42,889)	(147,913)
At 31 October 2016	733,656	21,870	179,602	45,598	304,661	699,515	1,984,902
<b>Depreciation and impairment</b>							
At 1 November 2015	-	13,638	62,546	70,390	23,689	248,717	418,980
Depreciation charged in the year	-	4,374	20,463	3,200	6,872	98,795	133,704
Eliminated in respect of disposals	-	(9,264)	-	(31,362)	-	(36,748)	(77,374)
At 31 October 2016	-	8,748	83,009	42,228	30,561	310,764	475,310
<b>Carrying amount</b>							
At 31 October 2016	733,656	13,122	96,593	3,370	274,100	388,751	1,509,592
At 31 October 2015	-	45,287	115,361	43,177	6,930	274,942	485,697

# AFM HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 OCTOBER 2016

### 13 Property, plant and equipment

(Continued)

Company	Land and buildings Leasehold £	Plant and machinery £	Fixtures, fittings & equipment £	Computer equipment £	Motor vehicles £	Total £
<b>Cost</b>						
At 1 November 2015	58,925	167,290	112,219	30,619	523,659	892,712
Additions	-	-	-	274,042	218,745	492,787
Disposals	(37,055)	-	(67,969)	-	(42,889)	(147,913)
At 31 October 2016	21,870	167,290	44,250	304,661	699,515	1,237,586
<b>Depreciation and impairment</b>						
At 1 November 2015	13,638	56,629	69,161	23,689	248,717	411,834
Depreciation charged in the year	4,374	17,562	3,200	6,872	98,795	130,803
Eliminated in respect of disposals	(9,264)	-	(31,362)	-	(36,748)	(77,374)
At 31 October 2016	8,748	74,191	40,999	30,561	310,764	465,263
<b>Carrying amount</b>						
At 31 October 2016	13,122	93,099	3,251	274,100	388,751	772,323
At 31 October 2015	45,287	110,661	43,058	6,930	274,942	480,878

# AFM HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 OCTOBER 2016

### 14 Investment property

	Group 2016 £	Company 2016 £
<b>Fair value</b>		
At 1 November 2015	-	-
Additions through external acquisition	-	733,656
At 31 October 2016	-	733,656

The investment property acquired during the year by the company at a cost of £733,656 has been included within property, plant and equipment for group purposes on the basis it has been acquired for use by subsidiary BTU (Installation & Maintenance) Limited once refurbished. The fair value of the investment property has been arrived at on the basis of the purchase price paid for the property on completion dated 8 July 2016, given its proximity to the year-end date.

### 15 Fixed asset investments

	Notes	Group 2016 £	2015 £	Company 2016 £	2015 £
Investments in subsidiaries	16	-	-	290,310	290,310

#### Movements in non-current investments Company

	Shares in group undertakings £
<b>Cost or valuation</b>	
At 1 November 2015 and 31 October 2016	290,310
<b>Carrying amount</b>	
At 31 October 2016	290,310
At 31 October 2015	290,310

# AFM HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 OCTOBER 2016

### 16 Subsidiaries

Details of the company's subsidiaries at 31 October 2016 are as follows:

Name of undertaking	Country of incorporation	Nature of business	Class of shares held	% Held Direct
BTU (Installation and Maintenance) Limited	UK	Installation and maintenance of electrical and mechanical services	Ordinary	100
B.T.U. (Poolservices) Limited	UK	Maintenance and renovation of swimming pool installations	Ordinary	100
CHS Limited	UK	Sales of central heating equipment and spares	Ordinary	100
Weyside Management Services Limited	UK	Provision of accounting, management, transport and computer services to the AFM Group	Ordinary	100
BTU (Heating) Limited	UK	Dormant	Ordinary	100
Pool Advisory Services (Woking) Limited	UK	Dormant	Ordinary	100
Help (Household Emergency Services) Limited	UK	Dormant	Ordinary	100
BTU (Maintenance) Limited	UK	Dormant	Ordinary	100

### 17 Financial instruments

	Group 2016 £	2015 £	Company 2016 £	2015 £
<b>Carrying amount of financial assets</b>				
Debt instruments measured at amortised cost	2,818,206	2,926,079	606,054	545,772
Equity instruments measured at cost less impairment	-	-	290,310	290,310
Instruments measured at fair value through profit or loss	1,029,818	942,496	1,029,818	942,496
<b>Carrying amount of financial liabilities</b>				
Measured at amortised cost	2,084,993	2,196,417	2,598,113	1,508,971

### 18 Inventories

	Group 2016 £	2015 £	Company 2016 £	2015 £
Work in progress	18,179	23,676	-	-
Finished goods and goods for resale	257,717	302,792	-	-
	275,896	326,468	-	-

# AFM HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2016

### 19 Trade and other receivables

	Group 2016	2015	Company 2016	2015
	£	£	£	£
<b>Amounts falling due within one year:</b>				
Trade receivables	1,340,079	1,291,760	-	-
Corporation tax recoverable	70,710	-	-	-
Amounts due from group undertakings	-	-	527,830	468,782
Other receivables	333,148	347,870	36,632	30,193
Prepayments and accrued income	1,074,269	1,286,449	41,592	46,797
	<u>2,818,206</u>	<u>2,926,079</u>	<u>606,054</u>	<u>545,772</u>
Deferred tax asset (note 24)	28,000	-	-	-
	<u>2,846,206</u>	<u>2,926,079</u>	<u>606,054</u>	<u>545,772</u>

### 20 Current asset investments

	Group 2016	2015	Company 2016	2015
	£	£	£	£
Listed investments	<u>1,029,818</u>	<u>942,496</u>	<u>1,029,818</u>	<u>942,496</u>
Listed investments included above:				
Listed investments carrying amount	<u>1,029,818</u>	<u>942,496</u>	<u>1,029,818</u>	<u>942,496</u>

### 21 Current liabilities

	Notes	Group 2016	2015	Company 2016	2015
		£	£	£	£
Other borrowings	23	25,000	38,500	25,000	38,500
Trade payables		1,123,177	835,798	-	-
Amounts due to group undertakings		-	-	2,546,833	1,367,650
Corporation tax payable		-	98,726	-	42,475
Other taxation and social security		323,687	458,325	-	-
Other payables		86,901	58,104	-	-
Accruals and deferred income		519,978	675,714	20,030	29,096
		<u>2,078,743</u>	<u>2,165,167</u>	<u>2,591,863</u>	<u>1,477,721</u>

# AFM HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 OCTOBER 2016

### 22 Non-current liabilities

	Notes	Group 2016 £	2015 £	Company 2016 £	2015 £
Other borrowings	23	6,250	31,250	6,250	31,250

### 23 Borrowings

	Group 2016 £	2015 £	Company 2016 £	2015 £
Other loans	31,250	69,750	31,250	69,750
Payable within one year	25,000	38,500	25,000	38,500
Payable after one year	6,250	31,250	6,250	31,250

The above borrowings relate to loans received from AFM (Holdings) Limited Pension scheme, a connected party. See note 29 for further information.

### 24 Deferred taxation

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

Group	Liabilities 2016 £	Liabilities 2015 £	Assets 2016 £	Assets 2015 £
ACAs	100,000	60,000	-	-
Tax losses	-	-	28,000	-
	100,000	60,000	28,000	-
Company	Liabilities 2016 £	Liabilities 2015 £	Assets 2016 £	Assets 2015 £
ACAs	100,000	60,000	-	-

# AFM HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 OCTOBER 2016

### 24 Deferred taxation

(Continued)

	Group 2016 £	Company 2016 £
<b>Movements in the year:</b>		
Liability at 1 November 2015	60,000	60,000
Charge to profit and loss	12,000	40,000
Liability at 31 October 2016	<u>72,000</u>	<u>100,000</u>

The deferred tax asset set out above is expected to reverse in future periods and relates to the utilisation of tax losses against future expected profits of the same period. The deferred tax liability set out above is also expected to reverse in future periods and relates to accelerated capital allowances that are expected to mature within the same period.

### 25 Retirement benefit schemes

	2016 £	2015 £
<b>Defined contribution schemes</b>		
Charge to profit or loss in respect of defined contribution schemes	<u>93,171</u>	<u>83,910</u>

A defined contribution pension scheme is operated for all qualifying employees. The assets of the scheme are held separately from those of the group in an independently administered fund.

### 26 Share capital

	Group and company 2016 £	2015 £
<b>Ordinary share capital</b>		
<b>Issued and fully paid</b>		
75,000 Ordinary Shares of £1 each	<u>75,000</u>	<u>75,000</u>

### 27 Share premium account

	Group 2016 £	2015 £	Company 2016 £	2015 £
At beginning and end of year	<u>993</u>	<u>993</u>	<u>993</u>	<u>993</u>

### 28 Capital redemption reserve

	Group 2016 £	2015 £	Company 2016 £	2015 £
At beginning and end of year	<u>14,242</u>	<u>14,242</u>	<u>-</u>	<u>-</u>

# AFM HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 OCTOBER 2016

### 29 Retained earnings

	Group 2016 £	2015 £	Company 2016 £	2015 £
At the beginning of the year	5,226,998	4,934,736	827,909	883,617
Profit/(loss) for the year	(288,332)	443,537	244,882	95,567
Dividends	(151,275)	(151,275)	(151,275)	(151,275)
At the end of the year	<u>4,787,391</u>	<u>5,226,998</u>	<u>921,516</u>	<u>827,909</u>

### 30 Operating lease commitments

#### Lessee

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

	Group 2016 £	2015 £	Company 2016 £	2015 £
Within one year	156,451	156,500	78,500	114,500
Between two and five years	347,017	521,000	314,000	458,000
In over five years	314,000	500,500	314,000	500,500
	<u>817,468</u>	<u>1,178,000</u>	<u>706,500</u>	<u>1,073,000</u>

### 31 Related party transactions

#### Remuneration of key management personnel

The remuneration of key management personnel, which consists of the director of the holding company and fellow directors of its subsidiaries, is as follows.

	2016 £	2015 £
Aggregate compensation	<u>280,890</u>	<u>329,231</u>

# AFM HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 OCTOBER 2016

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### 31 Related party transactions

(Continued)

During the period rent totalling £79,667 (2015: £79,142) was paid to AFM Limited Pension Fund Trust. The relevant lease was renewed in 2015 and now has just under 9 year's to run (to August 2025). This rent was charged on an arm's length basis and at a normal commercial rate.

At the period end, the company owed AFM (Holdings) Limited Pension Scheme a total of £31,250 (2015: £69,750) in loans. The term of the loan is a maximum of three years with an interest rate of 3% over the 'Clearing Bank Base Rate'.

During the year rent totalling £42,000 (2015: £42,000) was paid to AFM Pension Trust Fund, of which the trustees are Paul Merritt and Whitefoord Pension & Trustee Services Ltd. The relevant lease has just over 1 and half years to run. This rent was charged at arms length and at a normal commercial rate.

#### Group

The group has taken advantage of the exemption conferred by FRS 102 Section 33 whereby it has not disclosed transactions with any wholly owned subsidiary undertakings.

### 32 Directors' transactions

Dividends totalling £151,275 (2015: £151,275) were paid in the year in respect of shares held by the company's directors.

### 33 Controlling party

The ultimate controlling party is the AFM Business Trust, a shareholder of AFM Holdings Limited holding 94% of the issued voting share capital of that company. The trustees are Paul Merritt and Whitefoord Pension & Trustee Services Ltd.

# AFM HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 OCTOBER 2016

### 34 Cash generated from group operations

	2016 £	2015 £
(Loss)/profit for the year after tax	(288,332)	443,537
Adjustments for:		
Taxation (credited)/charged	(41,210)	132,116
Finance costs	1,702	2,908
Investment income	(36,857)	(25,068)
(Gain)/loss on disposal of property, plant and equipment	(4,187)	4,213
Amortisation and impairment of intangible assets	-	33,000
Depreciation and impairment of property, plant and equipment	133,704	130,464
Other gains and losses	(58,398)	752
Movements in working capital:		
Decrease in inventories	50,572	24,256
Decrease in trade and other receivables	178,583	722,449
Increase/(decrease) in trade and other payables	25,802	(408,598)
<b>Cash (absorbed by)/generated from operations</b>	<b>(38,621)</b>	<b>1,060,029</b>

### 35 Reconciliations on adoption of FRS 102

#### Reconciliation of equity - group

	Notes	At 1 November 2014			At 31 October 2015		
		Previous UK GAAP £	Effect of transition £	FRS 102 £	Previous UK GAAP £	Effect of transition £	FRS 102 £
<b>Fixed assets</b>							
Goodwill		33,000	-	33,000	-	-	-
Property, plant and equipment		480,557	-	480,557	485,697	-	485,697
		<u>513,557</u>	<u>-</u>	<u>513,557</u>	<u>485,697</u>	<u>-</u>	<u>485,697</u>
<b>Current assets</b>							
Inventories		350,724	-	350,724	326,468	-	326,468
Debtors		3,648,528	-	3,648,528	2,926,079	-	2,926,079
Investments	1	883,293	36,025	919,318	907,223	35,273	942,496
Bank and cash		2,294,800	-	2,294,800	2,892,910	-	2,892,910
		<u>7,177,345</u>	<u>36,025</u>	<u>7,213,370</u>	<u>7,052,680</u>	<u>35,273</u>	<u>7,087,953</u>

# AFM HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 OCTOBER 2016

### 35 Reconciliations on adoption of FRS 102

(Continued)

Notes	At 1 November 2014			At 31 October 2015		
	Previous UK GAAP £	Effect of transition £	FRS 102 £	Previous UK GAAP £	Effect of transition £	FRS 102 £
<b>Creditors due within one year</b>						
Borrowings	(31,333)	-	(31,333)	(38,500)	-	(38,500)
Taxation	(602,183)	-	(602,183)	(557,051)	-	(557,051)
Other payables	(1,991,940)	-	(1,991,940)	(1,569,616)	-	(1,569,616)
	<u>(2,625,456)</u>	<u>-</u>	<u>(2,625,456)</u>	<u>(2,165,167)</u>	<u>-</u>	<u>(2,165,167)</u>
Net current assets	<u>4,551,889</u>	<u>36,025</u>	<u>4,587,914</u>	<u>4,887,513</u>	<u>35,273</u>	<u>4,922,786</u>
Total assets less current liabilities	<u>5,065,446</u>	<u>36,025</u>	<u>5,101,471</u>	<u>5,373,210</u>	<u>35,273</u>	<u>5,408,483</u>
<b>Creditors due after one year</b>						
Borrowings	(13,500)	-	(13,500)	(31,250)	-	(31,250)
<b>Provisions for liabilities</b>						
Deferred tax	(63,000)	-	(63,000)	(60,000)	-	(60,000)
Net assets	<u>4,988,946</u>	<u>36,025</u>	<u>5,024,971</u>	<u>5,281,960</u>	<u>35,273</u>	<u>5,317,233</u>
<b>Capital and reserves</b>						
Share capital	75,000	-	75,000	75,000	-	75,000
Share premium	993	-	993	993	-	993
Capital redemption	14,242	-	14,242	14,242	-	14,242
Profit and loss	<u>4,898,711</u>	<u>36,025</u>	<u>4,934,736</u>	<u>5,191,725</u>	<u>35,273</u>	<u>5,226,998</u>
Total equity	<u>4,988,946</u>	<u>36,025</u>	<u>5,024,971</u>	<u>5,281,960</u>	<u>35,273</u>	<u>5,317,233</u>

# AFM HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 OCTOBER 2016

### 35 Reconciliations on adoption of FRS 102

(Continued)

#### Reconciliation of group profit for the financial period

	Notes	Year ended 31 October 2015		
		Previous UK GAAP £	Effect of transition £	FRS 102 £
Revenue		12,277,397	-	12,277,397
Cost of sales		(8,080,474)	-	(8,080,474)
Gross loss		4,196,923	-	4,196,923
Distribution costs		(244,887)	-	(244,887)
Administrative expenses		(3,397,791)	-	(3,397,791)
Operating profit/(loss)		554,245	-	554,245
Interest receivable and similar income		25,068	-	25,068
Finance costs		(2,908)	-	(2,908)
Other gains and losses	1	-	(752)	(752)
Profit before taxation		576,405	(752)	575,653
Taxation		(132,116)	-	(132,116)
Profit for the financial period		444,289	(752)	443,537

#### Notes to reconciliations on adoption of FRS 102 - group

##### Listed investments

Under previous UK GAAP, investments held in listed shares could be measured at cost or fair value. Under FRS 102 the use of fair value for investments in shares which are publicly traded or where the fair value can be measured reliably, is required. Movements in fair value are therefore now recognised in the income statement.

#### Reconciliation of equity - company

	Notes	At 1 November 2014			At 31 October 2015		
		Previous UK GAAP £	Effect of transition £	FRS 102 £	Previous UK GAAP £	Effect of transition £	FRS 102 £
<b>Fixed assets</b>							
Goodwill		33,000	-	33,000	-	-	-
Property, plant and equipment		473,084	-	473,084	480,878	-	480,878
Investments		290,310	-	290,310	290,310	-	290,310
		796,394	-	796,394	771,188	-	771,188

# AFM HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 OCTOBER 2016

### 35 Reconciliations on adoption of FRS 102

(Continued)

	Notes	At 1 November 2014			At 31 October 2015		
		Previous UK GAAP £	Effect of transition £	FRS 102 £	Previous UK GAAP £	Effect of transition £	FRS 102 £
<b>Current assets</b>							
Debtors		382,924	-	382,924	545,772	-	545,772
Investments	1	883,293	36,025	919,318	907,223	35,273	942,496
Bank and cash		253,259	-	253,259	213,417	-	213,417
		<u>1,519,476</u>	<u>36,025</u>	<u>1,555,501</u>	<u>1,666,412</u>	<u>35,273</u>	<u>1,701,685</u>
<b>Creditors due within one year</b>							
Borrowings		(31,333)	-	(31,333)	(38,500)	-	(38,500)
Taxation		(32,575)	-	(32,575)	(42,475)	-	(42,475)
Other payables		(1,251,877)	-	(1,251,877)	(1,396,746)	-	(1,396,746)
		<u>(1,315,785)</u>	<u>-</u>	<u>(1,315,785)</u>	<u>(1,477,721)</u>	<u>-</u>	<u>(1,477,721)</u>
Net current assets		<u>203,691</u>	<u>36,025</u>	<u>239,716</u>	<u>188,691</u>	<u>35,273</u>	<u>223,964</u>
Total assets less current liabilities		<u>1,000,085</u>	<u>36,025</u>	<u>1,036,110</u>	<u>959,879</u>	<u>35,273</u>	<u>995,152</u>
<b>Creditors due after one year</b>							
Borrowings		(13,500)	-	(13,500)	(31,250)	-	(31,250)
<b>Provisions for liabilities</b>							
Deferred tax		(63,000)	-	(63,000)	(60,000)	-	(60,000)
Net assets		<u>923,585</u>	<u>36,025</u>	<u>959,610</u>	<u>868,629</u>	<u>35,273</u>	<u>903,902</u>
<b>Capital and reserves</b>							
Share capital		75,000	-	75,000	75,000	-	75,000
Share premium		993	-	993	993	-	993
Profit and loss		847,592	36,025	883,617	792,636	35,273	827,909
Total equity		<u>923,585</u>	<u>36,025</u>	<u>959,610</u>	<u>868,629</u>	<u>35,273</u>	<u>903,902</u>

# AFM HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 OCTOBER 2016

### 35 Reconciliations on adoption of FRS 102

(Continued)

#### Reconciliation of company profit for the financial period

	Notes	Year ended 31 October 2015		
		Previous UK GAAP £	Effect of transition £	FRS 102 £
Revenue		509,339	-	509,339
Administrative expenses		(496,966)	-	(496,966)
Other operating income		102,000	-	102,000
Operating profit/(loss)		114,373	-	114,373
Interest receivable and similar income		24,112	-	24,112
Finance costs		(2,691)	-	(2,691)
Other gains and losses	1	-	(752)	(752)
Profit before taxation		135,794	(752)	135,042
Taxation		(39,475)	-	(39,475)
Profit for the financial period		96,319	(752)	95,567

#### Notes to reconciliations on adoption of FRS 102 - company

##### Listed investments

Under previous UK GAAP, investments held in listed shares could be measured at cost or fair value. Under FRS 102 the use of fair value for investments in shares which are publicly traded or where the fair value can be measured reliably, is required. Movements in fair value are therefore now recognised in the income statement.