Financial Statements
Perfect Home Holdings Limited

For the Period Ended 26 March 2016

Registered number: 06016659

Company Information

Directors	J R Clark M W Cooper A M Smith M J Sweetland
Company secretary	A M Smith
Registered number	06016659
Registered office	Coleshill Manor Office Campus Coleshill West Midlands B46 1DL
Independent auditor	Grant Thornton UK LLP Chartered Accountants & Statutory Auditor Colmore Plaza Colmore Circus Birmingham West Midlands B4 6AT
Bankers	Barclays Bank Plc 15 Colmore Row Birmingham B3 2EP

Perfect Home Holdings Limited
Registered number:06016659

Contents

Group Strategic Report

For the Period Ended 26 March 2016

Introduction

The directors present their strategic report for the year ended 26 March 2016.

The strategic objective of the Group is to continue to expand its business through the Group's transactional web-site as well as through a network of strategically placed stores. The continued growth in importance of online business has led to a reappraisal of the number of stores that will ultimately be required to provide full coverage across the UK and this is discussed in more detail below.

Principal activities

The principal activity of the company during the year was that of a holding company.

The principal activities of the Group during the year were the sale of home furniture, appliances and other products to domestic customers on hire purchase agreements and the provision of related services, maintenance and other financing agreements.

Business review

The directors report a loss before taxation of £6,515,253 (2015: profit of £7,291,263). Underlying operating loss in the year was £4,547,332 (2015: profit £9,162,018). The fall in profit was caused by reduced footfall on the High Street, as customers continue to migrate to more online channels, along with changes to the Group's business model and cost structures consequent on the developing requirements of the industry Regulator, the Financial Conduct Authority (FCA), as it seeks to impose a common standard on the consumer credit industry. As the year progressed, the standards and level of regulation which the FCA would seek to enforce have become clearer, and all companies in the sector have had to make significant changes to their affordability assessments and to their oversight and compliance activities, leading to reduced volumes of business and higher costs in the short term.

Towards the end of the financial year, the Group launched a fully-transactional website and this has enabled full coverage of the UK (excluding Northern Ireland) without the cost associated with opening additional sites. The new website has already become a significant channel for new customer acquisition and the store opening strategy followed by the Group in previous years will be adapted and amended to reflect the way customers now prefer to shop. Not only will the new website allow the Group to access a wider geographical market whilst reducing investment required in high-cost infrastructure, it is expected that it will offset the higher costs of doing business in a more heavily regulated environment.

Group Strategic Report (continued)

For the Period Ended 26 March 2016

Key performance indicators

Customer contract numbers

Turnover is driven by the number of customers and customer HP agreements. The changes to affordability assessments in the year have led to a reduced opportunity for existing customers to acquire additional products. This has meant that customer agreement numbers have fallen by 3.1%, from 146,302 in 2014/15 to 141,714 in 2015/16. Turnover (including interest on hire purchase contracts) has also fallen in the year, but is expected to recover in future years as the developing web strategy opens up new sales opportunities.

Store base

Three new stores were opened in the year as the Company concentrated on developing its on-line strategy. One store (Belle Vale, in Liverpool) was closed as the lease came to an end and it was concluded that the customer base could be serviced from other nearby stores. The vast majority of customers from this store has been retained, with many using on-line or remote payment methods to manage their agreements.

Since the year end, a further twelve stores have been closed in areas where the Company considers them to be unnecessary given the growing customer preference for online services, leading to a reduction in the store base from 70 in 2015 to 57 today. This will allow the Company to serve its customers at a lower cost in the future and thereby improve the value of its customer offering.

Bad debts

The Group at all times seeks to manage its arrears process with the intention of returning the customer to a successful payment profile. This effective focus on customer retention has enabled bad debt to be kept within acceptable levels.

At 31 March 2016 the arrears percentage stood at 7.14% of four-weekly dues, compared to 6.35% in the previous year. The increase was due to difficulties encountered in centralising arrears management activity, which was being tested in a major pilot project around the time of the year-end. This pilot was subsequently discontinued and the Company reverted to its proven methodology of managing arrears at a local level.

Group Strategic Report (continued)

For the Period Ended 26 March 2016

Principal risk and uncertainties

The directors are of the opinion that the company has adopted a thorough risk management process that involves the formal review of all the risks identified below. The board monitors and reviews risks in order to mitigate each risk area on a regular basis in order to assess its impact.

Regulation

The company operates in a regulated market and has established processes and policies for ensuring its compliance with all applicable legislation and regulation. Staff participate in a programme of training designed to ensure that they understand the processes and policies that the directors have established.

All staff must be accredited to perform functions that have regulatory implications by attesting and demonstrating that they understand the processes and policies that the company has established. This protects the reputation of the company, customers and staff.

Financing

The Perfect Home Holdings group has in place loan facilities from a previous shareholder of £10 million. Since the year end this facility was renegotiated and is now due for renewal on 30 June 2017. The directors believe that this facility will continue to be rolled forward as has been the case previously. In addition, the group has a facility with Burdale Financial Limited of up to £20m depending on the security being available and is repayable on 31 July 2018. At 26 March 2016 the maximum available under the facility was £13.4m of which £9.0m had been drawn down. The directors have prepared group forecasts for the period ended 31 March 2022 which show that these facilities are sufficient to support the group's current business plan for the next 12 months.

Economic risk

The spending power of the company's customer base is at risk from inflation and the government's review of benefits. Management build the impact of external market risk into their credit scoring methodology and monitor the product offering to ensure that the company remains competitive.

Group Strategic Report (continued)

For the Period Ended 26 March 2016

Financial risk management objectives and policies

The group's principal financial instruments comprise cash at bank, revolving credit facilities, finance lease and hire purchase arrangements and other loans. The main purpose of these financial instruments is to raise finance for the group's operations. The group has various other financial instruments such as amounts receivable from hire purchase contracts and trade creditors which arise directly from its operations. The group does not enter into derivative transactions.

It is, and has been throughout the year under review, the group's policy that no trading in financial instruments shall be undertaken. The main risks arising from the group's financial instruments are liquidity risk, interest rate risk, credit risk and currency risk.

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

The group's objective is to maintain a balance between continuity of funding and flexibility through the use of its various financial instruments.

Interest rate risk
The group finances its operations through borrowings with certain interest charges being rolled up into debt. The group's exposure to interest rate fluctuations on its borrowings is managed by the use of both fixed and floating facilities.

Foreign exchange risk
The Group purchases a proportion of its goods for resale from overseas, priced principally in US dollars and Euros. The group manages its foreign exchange risk by hedging strategies, principally by buying forward so as to fix the price to the Group of the goods in the short term. This strategy was successfully used to shield the Group from the short term impact of the UK's referendum vote to leave the European Union, but long-term weakness in the value of Sterling against the US dollar and the Euro will inevitably lead to upward pressure on prices for customers as those hedging strategies unwind.

Credit risk
The Group makes sales to customers on finance and loan agreements on the basis of a clear and tested evaluation process. This process has been refined in recent months and now makes use of additional data on customer outcomes previously unavailable to us. It is expected that losses on recent pools of customer agreements will reduce as the effect of this improved scoring system manifests itself.

Other risks
As noted above, there are potential foreign exchange risks caused by the United Kingdom's political decision to exit the European Union. In addition, the Group is the beneficial owner of a Cell of a Protected Cell Insurance company based in Malta which writes insurance business to the Group's UK customers under the pass-porting arrangements within the European Union. A failure to secure continued and reciprocal access to the European single market will require these arrangements to be replaced with a UK based insurance arrangement, which may lead to higher operating and solvency costs for the Group.

This report was approved by the board on 20 December 2016 and signed on its behalf.

A M Smith
Director

Directors' Report
For the Period Ended 26 March 2016

The directors present their report and the financial statements for the period ended 26 March 2016.

Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. 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 the Group and of the profit or loss of the Group for that period. In preparing these financial statements, the directors are required to:

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

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

Results and dividends

The loss for the period, after taxation, amounted to £8,929,737 (2015 - profit £6,881,738).

The directors did not recommend paying a dividend (2015: £nil).

Directors

The directors who served during the period were:

J R Clark
M W Cooper
A M Smith
M J Sweetland

Matters covered in the strategic report

The business review and financial risk management, and objectives and policies have been included in the Strategic report.

Directors' Report
For the Period Ended 26 March 2016

Employee welfare

The group employs people from the communities it serves and aims to be the employer of choice within its market sector. The group aims to attract, select, recruit and retain top quality employees based only on their ability and aptitude through a number of people policies. These policies include offering upper-quartile rates of pay (compared with the market), excellent benefits and training and development opportunities for employees, reflecting the company's values and culture.

These benefits include:

- Pension scheme available to all staff
- Life insurance available for all staff
- Childcare vouchers
- Market-leading bonus and commission schemes where appropriate
- Family Friendly Policies which include an enhanced Maternity Policy and enhanced Paternity Policy
- Performance related pay based on annual reviews for all staff.

Recruitment
Through its ongoing recruitment for new and existing stores, the group recruits within local communities through local recruitment campaigns including via Job Centre Plus. The group also seeks to develop opportunities to provide employment to young people who have been disadvantaged in some way through its involvement with The Prince's Trust and CREATE UK Limited.

Training and development
A structured induction training programme is in place which is regularly reviewed with regard to its relevance and quality. This programme ensures that all new employees receive timely and effective induction training, including both hard and soft skills.

Perfect Home also runs its own Management Development Programme. This programme concentrates on delivering training to enhance the knowledge of all Line Managers in such areas as HR, managing people, managing performance and coaching.

Employee consultation
The group has continued its practice of keeping employees informed of matters affecting them as employees and the financial and economic factors affecting the performance of the group.

Health & safety
The group recognises its obligations under the Health and Safety at Work Act 1974 and other relevant legislation and has a full programme of risk assessment and risk management activities, overseen by its designated Compliance Manager, to ensure that these are met.

Disabled employees

Applications for employment by disabled persons are given full and fair consideration for all vacancies in accordance with their particular aptitudes and abilities. In the event of employees becoming disabled, every effort is made to retrain them in order that their employment with the group may continue.

Directors' Report

For the Period Ended 26 March 2016

Community involvement

The group sells household electronics, appliances and furniture to all sections of the community and seeks to provide financing arrangements which can be adapted to all potential customers, whatever their circumstances, to facilitate these purchases. The group aims not to exclude any section of the community from the opportunity of becoming a customer, and in line with this philosophy, has sought to engage with charitable organisations which seek to assist some of the more disadvantaged members of the community and provide opportunities for them to lead more fulfilling lives. The group is therefore pleased to be associated with The Prince's Trust and CREATE UK Limited.

The group is a member of The Retail Leadership Group of The Prince's Trust, the country's leading Youth charity. This involves a financial commitment over a number of years, supplemented by the development of work experience placements and the provision of employment opportunities to assist the Trust in its work with disadvantaged young people.

CREATE UK Limited is a charitable company whose objectives include the recycling and reuse of end-of-life appliances and the training of long-term unemployed adults within the context of a meaningful, paid employment. CREATE has worked with over 1,150 trainees over the years, specialising with those with the most challenging needs. Perfect Home provides financial support to its operations. This has allowed CREATE to develop its activities which will generate training and employment opportunities for the future.

In addition, the Group has updated a programme called Perfect Homes Community Causes, which makes available sums up to £10,000 which local charities or community groups can apply to receive to support their community activities. In the last year, ten separate organisations received contributions from the fund.

Disclosure of information to auditor

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

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

Auditor

The auditor, Grant Thornton UK LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 20 December 2016 and signed on its behalf.

A M Smith
Director

Grant Thornton

Independent Auditor's Report to the Members of Perfect Home Holdings Limited

We have audited the financial statements of Perfect Home Holdings Limited for the period ended 26 March 2016, which comprise the Group Statement of comprehensive income, the Group and Company Statements of financial position, the Group Statement of cash flows, the Group and Company Statement of changes in equity and the related notes. The relevant financial reporting framework that has been applied in their preparation is the Companies Act 2006 and the United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and Auditor

As explained more fully in the Directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the parent Company's affairs as at 26 March 2016 and of the Group's loss for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Group strategic report and the Directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements and the directors' report has been prepared in accordance with applicable legal requirements.

Independent Auditor's Report to the Members of Perfect Home Holdings Limited

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

David White (Senior statutory auditor)

for and on behalf of
Grant Thornton UK LLP

Chartered Accountants
Statutory Auditor

Colmore Plaza
Colmore Circus
Birmingham
West Midlands
B4 6AT

Date: 21 December 2016

Perfect Home Holdings Limited
Registered number:06016659

Consolidated Statement of Comprehensive Income
For the Period Ended 26 March 2016

	Note	2016 £	2015 £
Turnover	3	70,254,994	83,976,485
Cost of sales		(28,356,110)	(30,479,424)
Gross profit		41,898,884	53,497,061
Distribution costs		-	92,951
Administrative expenses		(46,446,216)	(44,427,994)
Operating (loss)/profit	4	(4,547,332)	9,162,018
Interest receivable and similar income	7	2,455	2,475
Interest payable and expenses	8	(1,970,376)	(1,873,230)
(Loss)/profit before taxation		(6,515,253)	7,291,263
Tax on (loss)/profit	9	(2,414,484)	(409,525)
(Loss)/profit for the period		(8,929,737)	6,881,738
Total comprehensive income for the period		(8,929,737)	6,881,738

Consolidated Statement of Financial Position

As at 26 March 2016

	Note		26 March 2016 £		31 March 2015 £
Fixed assets					
Tangible assets	11		**3,805,752**		3,974,194
			3,805,752		3,974,194
Current assets					
Stocks	13	**9,250,079**		6,337,422	
Debtors: amounts falling due after more than one year	14	**34,968,068**		45,239,594	
Debtors: amounts falling due within one year	14	**44,812,456**		46,084,570	
Cash at bank and in hand	16	**3,927,924**		3,700,371	
		92,958,527		101,361,957	
Creditors: amounts falling due within one year	17	**(30,843,009)**		(15,423,730)	
Net current assets			**62,115,518**		85,938,227
Total assets less current liabilities			**65,921,270**		89,912,421
Creditors: amounts falling due after more than one year	18		**(9,115,115)**		(27,914,529)
Provisions for liabilities					
Other provisions	23	**(1,440,000)**		-	
			(1,440,000)		-
Net assets			**55,366,155**		61,997,892

Consolidated Statement of Financial Position (continued)

As at 26 March 2016

	Note	26 March 2016 £	31 March 2015 £
Capital and reserves			
Called up share capital	24	**1,667**	1,667
Capital redemption reserve	25	**85,741,739**	85,741,739
Profit and loss account	25	**(30,377,251)**	(23,745,514)
Equity attributable to owners of the parent Company		55,366,155	61,997,892
		55,366,155	61,997,892

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 20 December 2016.

M J Sweetland
Director

The notes on pages 19 to 41 form part of these financial statements.

Perfect Home Holdings Limited
Registered number:06016659

Company Statement of Financial Position

As at 26 March 2016

	Note		26 March 2016 £		31 March 2015 £
Fixed assets					
Investments	12		55,364,805		85,741,739
			55,364,805		85,741,739
Current assets					
Debtors: amounts falling due within one year	14	104		768	
Cash at bank and in hand	16	2,539		808	
		2,643		1,576	
Creditors: amounts falling due within one year	17	(1,293)		(130)	
Net current assets			1,350		1,446
Total assets less current liabilities			55,366,155		85,743,185
Net assets			55,366,155		85,743,185
Capital and reserves					
Called up share capital	24		1,667		1,667
Capital redemption reserve	25		85,741,739		85,741,739
Profit and loss account	25		(30,377,251)		(221)
			55,366,155		85,743,185

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 20 December 2016.

M J Sweetland
Director

Consolidated Statement of Changes in Equity
For the Period Ended 26 March 2016

	Share capital	Capital redemption reserve	Retained earnings	Equity attributable to owners of parent Company	Total equity
	£	£	£	£	£
At 1 April 2015	1,667	85,741,739	(23,745,514)	61,997,892	61,997,892
Comprehensive income for the period					
Loss for the period	-	-	(8,929,737)	(8,929,737)	(8,929,737)
Other comprehensive income for the period	-	-	-	-	-
Total comprehensive income for the period	-	-	(8,929,737)	(8,929,737)	(8,929,737)
Total transactions with owners	-	-	-	-	-
At 26 March 2016	1,667	85,741,739	(32,675,251)	53,068,155	53,068,155

Consolidated Statement of Changes in Equity

For the Period Ended 31 March 2015

	Share capital	Capital redemption reserve	Retained earnings	Equity attributable to owners of parent Company	Total equity
	£	£	£	£	£
At 1 April 2014	1,667	85,741,739	(30,627,252)	55,116,154	55,116,154
Comprehensive income for the year					
Profit for the year	-	-	6,881,738	6,881,738	6,881,738
Other comprehensive income for the year	-	-	-	-	-
Total comprehensive income for the year	-	-	6,881,738	6,881,738	6,881,738
Total transactions with owners	-	-	-	-	-
At 31 March 2015	1,667	85,741,739	(23,745,514)	61,997,892	61,997,892

The notes on pages 19 to 41 form part of these financial statements.

Company Statement of Changes in Equity
For the Period Ended 26 March 2016

	Share capital	Capital redemption reserve	Retained earnings	Total equity
	£	£	£	£
At 1 April 2015	1,667	85,741,739	(221)	85,743,185
Comprehensive income for the year				
Loss for the period	-	-	(32,674,710)	(32,674,710)
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	-	-	(32,674,710)	(32,674,710)
Total transactions with owners	-	-	-	-
At 26 March 2016	1,667	85,741,739	(32,674,931)	53,068,475

Company Statement of Changes in Equity
For the Period Ended 31 March 2015

	Share capital	Capital redemption reserve	Retained earnings	Total equity
	£	£	£	£
At 1 April 2014	1,667	85,741,739	(261)	85,743,145
Comprehensive income for the year				
Profit for the year	-	-	40	40
Other comprehensive income for the year	-	-	-	-
Total comprehensive income for the year	-	-	40	40
Total transactions with owners	-	-	-	-
At 31 March 2015	1,667	85,741,739	(221)	85,743,185

The notes on pages 19 to 41 form part of these financial statements.

Consolidated Statement of Cash Flows
For the Period Ended 26 March 2016

	26 March 2016 £	31 March 2015 £
Cash flows from operating activities		
(Loss) / profit for the financial period	(8,929,737)	6,881,738
Adjustments for:		
Depreciation of tangible assets	1,846,088	1,679,984
Increase in stocks	(2,912,657)	(1,630,261)
Interest paid	1,970,376	1,873,230
Interest received	(2,455)	(2,475)
Taxation	2,414,484	409,525
Increase/(decrease) in debtors	10,833,640	(672,023)
Decrease in creditors	(3,856,996)	(6,126,985)
Increase in provisions	1,440,000	-
Corporation tax	(79,296)	-
Net cash generated from operating activities	2,723,447	2,412,733
Cash flows used by investing activities		
Purchase of tangible fixed assets	(1,677,646)	(984,337)
Sale of tangible fixed assets	-	1,145
Interest received	2,455	2,475
HP interest paid	(27,045)	(26,811)
Net cash used by investing activities	(1,702,236)	(1,007,528)
Cash flows used by financing activities		
Other new loans	1,119,327	709,804
Repayment of/new finance leases	30,346	(490,913)
Interest paid	(1,943,331)	(1,846,419)
Net cash used by financing activities	(793,658)	(1,627,528)
Net increase / (decrease) in cash and cash equivalents	227,553	(222,323)
Cash and cash equivalents at beginning of period	3,700,371	3,922,694
Cash and cash equivalents at the end of period	3,927,924	3,700,371
Cash and cash equivalents at the end of period comprise:		
Cash at bank and in hand	3,927,924	3,700,371
	3,927,924	3,700,371

Notes to the Financial Statements
For the Period Ended 26 March 2016

1. Accounting policies

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland and the Companies Act 2006.

Information on the impact of first-time adoption of FRS 102 is given in note 30.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the group's accounting policies (see note 2).

The following principal accounting policies have been applied:

1.2 Basis of consolidation

The consolidated financial statements present the results of Group and its own subsidiaries ("the Group") as if they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the Balance sheet, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Consolidated profit and loss account from the date on which control is obtained. They are deconsolidated from the date control ceases.

In accordance with the transitional exemption available in FRS 102, the group has chosen not to retrospectively apply the standard to business combinations that occurred before the date of transition to FRS 102, being 1 April 2014.

1.3 Going concern

The Perfect Home Holdings group has in place loan facilities from a previous shareholder of £10 million. Since the year end this facility was renegotiated and is now due for renewal on 30 June 2017. The directors believe that this facility will continue to be rolled forward as has been the case previously. In addition, the group has a facility with Wells Fargo Asset Finance Limited of up to £20m depending on the security being available and is repayable on 31 July 2018. At 26 March 2016 the maximum available under the facility was £13.4m of which £9.0m had been drawn down. The directors have prepared group forecasts for the period ended 31 March 2022 which show that these facilities are sufficient to support the group's current business plan for the next 12 months.

Notes to the Financial Statements

For the Period Ended 26 March 2016

1. Accounting policies (continued)

1.4 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Sale of goods
The group is deemed to be a "dealer". Accordingly, turnover relating to the sale of product is recognised on delivery rather than the inception of the hire purchase contract.

Revenue from the sale of goods is recognised when the significant risks and benefits of ownership have been transferred to the buyer, which is taken to be on delivery. An assessment is made of the likelihood of customers returning goods and a provision is made against sales to reflect the likely diminution in turnover caused by such returns.

The profit relating to the sale of goods is restricted to the excess of the fair value of the asset over the cost of that asset to the group.

Extended warranties, service agreements and insurance
Goods sold to customers by the company are usually under hire purchase contracts and often in conjunction with service agreements (such as PerfectCare) and extended warranties. Service agreements and extended warranties are sold under fixed sum loan agreements.

Income relating to extended warranties and service agreements is recognised to allocate earnings evenly over the period of the contract. Insurance policies are recognised over the term of the lease.

Interest receivable under hire purchase contracts
Hire purchase agreements enable the customer to acquire title though a purchase option after payment of all required payments. The directors believe that, at the point of the initial sale, it is the intention of both the group and the customer that the customer should acquire ownership of the goods sold. Previously whilst the Coverplus service agreements entered in to with customers technically enabled customers to return goods without penalty under certain conditions, these conditions were often not satisfied and the agreements are rarely utilised for this purpose. In the prior year the group replaced the Coverplus warranties with PerfectCare which has no right to return. The customer therefore retains substantially all the risks and rewards of ownership. Accordingly, agreements entered into are treated as hire purchase contracts.

Interest under hire purchase contracts is allocated to accounting periods so as to give a constant periodic rate of return on the group's net cash investment in the lease in each period.

1.5 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

1. Accounting policies (continued)

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, .

Depreciation is provided on the following basis:

Leasehold improvements	- 20% straight line
Plant and equipment	- 20% straight line
Motor vehicles	- 33% straight line
Fixtures and fittings	- 20% straight line

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other operating income' in the Consolidated statement of comprehensive income.

1.6 Operating leases: Lessee

Rentals paid under operating leases are charged to the profit or loss on a straight line basis over the period of the lease.

1.7 Lease incentives

Contributions from lessors towards fixtures, fittings and similar items which benefit the group but do not enhance the overall value of the property such that no benefit flows to the lessor are treated as lease incentives as are rent free periods. The benefit to the group is spread over the entire lease period. Contributions that enhance the value of the property are treated as a reimbursement of fixed asset expenditure and are recognised in accordance with the fixed asset category of the asset in respect of which the contribution has been received.

1.8 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

1.9 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first outbasis.

At each reporting date, stocks are assessed for impairment. If stock is 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.

Notes to the Financial Statements

For the Period Ended 26 March 2016

1. Accounting policies (continued)

1.10 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

1.11 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Consolidated statement of cash flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Company's cash management.

1.12 Financial instruments

The group only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable, loans from banks and other third parties.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration, expected to be paid or received. However if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Profit and loss account.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate, which is an approximation of the amount that the Group would receive for the asset if it were to be sold at the reporting date.

Notes to the Financial Statements

For the Period Ended 26 March 2016

1. Accounting policies (continued)

1.12 Financial instruments (continued)

Financial assets and liabilities are offset and the net amount reported in the Statement of financial position when there is an 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.

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

1.13 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

1.14 Foreign currency translation

Functional and presentation currency

The company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Profit and loss account except when deferred in other comprehensive income as qualifying cash flow hedges.

1.15 Finance costs

Finance costs are charged to the Profit and loss account over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

Notes to the Financial Statements

For the Period Ended 26 March 2016

1. Accounting policies (continued)

1.16 Pensions

Defined contribution pension plan

The group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the group pays fixed contributions into a separate entity. Once the contributions have been paid the group has no further payments obligations.

The contributions are recognised as an expense in the Profit and loss account when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of financial position. The assets of the plan are held separately from the group in independently administered funds.

1.17 Interest income

Interest income is recognised in the Profit and loss account using the effective interest method.

1.18 Provisions for liabilities

Provisions are made where an event has taken place that gives the group a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Profit and loss account in the year that the group becomes aware of the obligation, and are measured at the best estimate at the Statement of financial position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of financial position.

Notes to the Financial Statements
For the Period Ended 26 March 2016

1. Accounting policies (continued)

1.19 Current and deferred taxation

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

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 company and the group operate and generate income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of financial position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the group can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

Notes to the Financial Statements

For the Period Ended 26 March 2016

2. Judgments in applying accounting policies and key sources of estimation uncertainty

Preparation of financial statements requires management to make significant judgements and estimates. The areas where these judgements and estimates have been made include;

Revenue recognition
The hire purchase agreements provided are deemed to be classified as finance leases in accordance with FRS 102 Section 20 paragraph 5. As the goods are sold under finance leases revenue is recognised at the initial point of sale, with the finance income spread over the term of the agreement.

The directors have assessed that goods are advertised for sale at amounts not significantly higher than the group's competitors and therefore not considered to be in excess of the 'market rate'.

Provisions
The group is subject to an ongoing review by the FCA and disputes with HMRC regarding accounting for VAT and remuneration incentives (as set out in note 28). There is uncertainty regarding the outcome of these matters, and the directors have made an informed assessment of the likely outcome and made provisions where they consider appropriate.

Deferred tax
The group has deferred tax losses brought forward. A deferred tax asset has been recognised relating to these losses to the extent that the directors anticipate that they will reverse in the forseeable future, based on the group's current forecast.

Trade debtors
Trade debtors consist of amounts due from customers. An allowance for doubtful debt is maintained for estimated losses resulting from the viability of the group's customers to make required payment. The allowance is based on the group's regular assessment of the credit worthiness and financial conditions of customers.

Stock
Certain factors could affect the realisable value of the group's stocks including customer demand and market conditions. The group considers usage, anticipated sales price, effect of new product introductions, product obsolescence and other factors when evaluating the value.

There are no key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material misstatement to the carrying amounts of assets and liabilities within the financial year.

Notes to the Financial Statements

For the Period Ended 26 March 2016

3. Analysis of turnover

The whole of the turnover is attributable to the group's principal activity.

Analysis of turnover by country of destination:

	2016 £	2015 £
United Kingdom	62,775,294	75,584,553
Malta	7,479,700	8,391,932
	70,254,994	83,976,485

Turnover includes interest from hire purchase contracts amounting to £28,291,116 (2015: £23,696,352).

4. Operating (loss)/profit

The operating (loss)/profit is stated after charging:

	2016 £	2015 £
Depreciation of tangible fixed assets	1,846,088	1,679,984
Fees payable to the Group's auditor and its associates for the audit of the company's annual accounts	50,700	45,700
Operating lease rentals - plant and machinery	1,286,231	1,312,964
Operating lease rentals - other operating leases	4,717,920	5,070,732
Defined contribution pension cost	279,165	275,814

Notes to the Financial Statements
For the Period Ended 26 March 2016

5. Employees

Staff costs were as follows:

	2016 £	2015 £
Wages and salaries	15,217,459	17,133,673
Social security costs	1,383,876	1,728,306
Cost of defined contribution scheme	279,165	275,814
	16,880,500	19,137,793

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

	2016 No.	2015 No.
Warehouse and distribution	120	119
Store staff	486	507
Admin staff	58	49
	664	675

6. Directors' remuneration

	2016 £	2015 £
Directors' emoluments	688,815	991,010
Company contributions to defined contribution pension schemes	61,106	61,105
	749,921	1,052,115

During the period retirement benefits were accruing to 3 directors (2015 - 3) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £279,851 (2015: £368,094).

The value of the company's contributions to a defined contribution pension scheme in respect of the highest paid director amounted to £22,765 (2015: £22,765).

7. Interest receivable

	2016 £	2015 £
Other interest receivable	2,455	2,475
	2,455	2,475

Notes to the Financial Statements

For the Period Ended 26 March 2016

8. Interest payable and similar charges

	2016 £	2015 £
Mortgage interest payable	1,943,331	1,846,419
Finance leases and hire purchase contracts	27,045	26,811
	1,970,376	1,873,230

9. Taxation

	2016 £	2015 £
Corporation tax		
Current tax on profits for the year	(593,516)	409,525
	(593,516)	409,525
Total current tax	(593,516)	409,525
Deferred tax		
Origination and reversal of timing differences	3,008,000	-
Total deferred tax	3,008,000	-
Taxation on profit on ordinary activities	2,414,484	409,525

Factors affecting tax charge for the period/year

The tax assessed for the period/year is higher than (2015 - lower than) the standard rate of corporation tax in the UK of 20% (2015 - 23%). The differences are explained below:

	2016 £	2015 £
(Loss)/profit on ordinary activities before tax	(6,515,253)	7,291,263
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2015 - 23%)	(1,303,051)	1,676,990
Effects of:		
Tax losses utilised	709,535	(1,267,465)
Deferred tax prior year adjustment	3,008,000	-
Total tax charge for the period/year	2,414,484	409,525

Notes to the Financial Statements
For the Period Ended 26 March 2016

10. Parent Company Profit for the year

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of comprehensive income in these financial statements. The loss after tax of the parent Company for the period/year was £32,674,710 (2015 - profit £40).

11. Tangible fixed assets

Group

	Leasehold Improve- ments	Plant & machinery	Motor vehicles	Fixtures & fittings	Total
	£	£	£	£	£
Cost					
At 1 April 2015	9,842,222	381,639	464,430	4,113,324	14,801,615
Additions	616,739	-	133,775	927,132	1,677,646
Disposals	-	-	(82,144)	-	(82,144)
At 26 March 2016	10,458,961	381,639	516,061	5,040,456	16,397,117
Depreciation					
At 1 April 2015	7,776,214	381,639	211,805	2,457,763	10,827,421
Charge owned for the period	983,901	-	-	716,635	1,700,536
Charge financed for the period	-	-	145,552	-	145,552
Disposals	-	-	(82,144)	-	(82,144)
At 26 March 2016	8,760,115	381,639	275,213	3,174,398	12,591,365
Net book value					
At 26 March 2016	1,698,846	-	240,848	1,866,058	3,805,752
At 31 March 2015	2,066,008	-	252,625	1,655,561	3,974,194

11. Tangible fixed assets (continued)

The net book value of assets held under finance leases or hire purchase contracts, included above, are as follows:

	26 March 2016 £	31 March 2015 £
Motor vehicles	240,848	252,625

Notes to the Financial Statements
For the Period Ended 26 March 2016

12. Fixed asset investments

Direct subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Country of incorporation	Class of shares	Holding	Principal activity
Perfect Home Finance Limited	United Kingdom	Ordinary	100 %	Intermediate holding company

Indirect Subsidiary undertakings

The following were indirectly held subsidiary undertakings of the Company:

Name	Country of incorporation	Class of shares	Holding	Principal activity
Temple Retail Limited	United Kingdom	Ordinary	100 %	Retail
Temple Finance Limited	United Kingdom	Ordinary	100 %	Provision of finance
Coleshill Finance Services Limited	United Kingdom	Ordinary	100 %	Holding company
Coleshill Holdings Limited	Malta	Ordinary	100 %	Insurance services
Coleshill Investments Limited	Guernsey	Ordinary	100 %	Holding company

Company

	Investments in subsidiary undertaking £
Cost	
At 1 April 2015	**85,741,739**
At 26 March 2016	**85,741,739**
Impairment	
Charge for the period	**32,674,614**
Net book value	
At 26 March 2016	**53,067,125**
At 31 March 2015	85,741,739

Notes to the Financial Statements

For the Period Ended 26 March 2016

13. Stocks

	Group 26 March 2016 £	Group 31 March 2015 £	Company 26 March 2016 £	Company 31 March 2015 £
Finished goods and goods for resale	9,250,079	6,337,422	-	-
	9,250,079	6,337,422	-	-

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

Stock recognised in cost of sales during the period as an expense was £24,675,830 (2015 - £28,270,132).

An impairment loss of £335,193 (2015 - £nil) was recognised in cost of sales against stock during the period due to slow-moving and obsolete stock.

14. Debtors

	Group 26 March 2016 £	Group 31 March 2015 £	Company 26 March 2016 £	Company 31 March 2015 £
Due after more than one year				
Net investment in HP contracts (note 15)	31,265,714	39,932,394	-	-
Loan agreements receivable	3,702,354	5,307,200	-	-
	34,968,068	45,239,594	-	-

	Group 26 March 2016 £	Group 31 March 2015 £	Company 26 March 2016 £	Company 31 March 2015 £
Due within one year				
Net investment in HP contracts (note 15)	22,679,557	25,685,491	-	-
Amounts owed by group undertakings	-	-	93	768
Loan agreements receivable	6,957,465	7,960,801	-	-
Other debtors prepayments and accrued income	11,885,434	8,438,278	11	-
Deferred taxation	992,000	4,000,000	-	-
	42,514,456	46,084,570	104	768

Notes to the Financial Statements

For the Period Ended 26 March 2016

15. Net investment in HP contracts and loan agreements

	26 March 2016 £	31 March 2015 £
Gross investment		
Not later than one year	66,359,487	66,916,274
Later than one year and not later than five years	52,968,152	56,714,323
Unearned finance income	(43,264,071)	(36,628,477)
Bad debt provision	(11,458,468)	(8,116,234)
	64,605,100	78,885,886
Present value of minimum lease payments receivable		
Not later than one year	34,968,068	45,239,594
Later than one year and not later than five years	29,637,032	33,646,292
	64,605,100	78,885,886

16. Cash and cash equivalents

	Group 26 March 2016 £	Group 31 March 2015 £	Company 26 March 2016 £	Company 31 March 2015 £
Cash at bank and in hand	3,927,924	3,700,371	2,539	808
	3,927,924	3,700,371	2,539	808

Included within cash is £2,053,901 (2015: £2,019,043) held in the group's captive entity in Malta to cover theft and accidental damage ('TAD') claims under TAD insurance policies held by customers, and as such is not available to the group to fund day-to-day working capital requirements.

Notes to the Financial Statements
For the Period Ended 26 March 2016

17. Creditors: Amounts falling due within one year

	Group 26 March 2016 £	Group 31 March 2015 £	Company 26 March 2016 £	Company 31 March 2015 £
Other loans (note 16)	15,209,468	-	-	-
Trade creditors	5,777,261	4,959,165	-	-
Amounts owed to group undertakings	-	-	1,163	-
Corporation tax	354,143	1,026,955	-	-
Taxation and social security	1,951,028	402,302	-	-
Obligations under finance lease and hire purchase contracts	104,208	79,482	-	-
Other creditors	923,109	374,522	130	130
Accruals and deferred income	6,523,792	8,581,304	-	-
	30,843,009	15,423,730	1,293	130

The hire purchase creditor is secured on the assets concerned.

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

	Group 26 March 2016 £	Group 31 March 2015 £	Company 26 March 2016 £	Company 31 March 2015 £
Other loans	9,024,546	23,114,687	-	-
Net obligations under finance leases and hire purchase contracts	90,569	84,949	-	-
Accruals and deferred income	-	4,714,893	-	-
	9,115,115	27,914,529	-	-

Other loans comprise bonds which were due for repayment on 30 June 2016. Since the year end these bonds have been rolled forward for another year to 30 June 2017.

The bonds carry a coupon of 12%.

Notes to the Financial Statements
For the Period Ended 26 March 2016

19. Borrowings

Borrowings due outside one year are repayable as follows:

	26 March 2016 £	31 March 2015 £
Amounts payable between one and five years		
Other loans	9,024,546	9,204,216
Bonds and loans - Capital	-	10,000,000
Bonds and loans - Interest	-	3,910,471
	9,024,546	23,114,687

The group has a revolving credit facility of up to £20m, dependent on the level of security with Burdale Financial Limited, a subsidiary of Wells Fargo Bank, repayable on 31 July 2018. The interest rate on this loan is Libor plus 3.5%.

20. Hire purchase and finance leases

Minimum lease payments under hire purchase fall due within one year as disclosed in note 17 and between 2 and 5 years as disclosed in note 18.

21. Financial instruments

	Group 26 March 2016 £	Group 31 March 2015 £	Company 26 March 2016 £	Company 31 March 2015 £
Financial assets				
Cash and cash equivalents	3,927,924	3,700,371	2,539	808
Financial assets measured at amortised cost	64,686,023	78,885,886	93	768
	68,613,947	82,586,257	2,632	1,576
Financial liabilities				
Financial liabilities measured at amortised cost	(33,482,878)	(33,353,793)	(1,293)	(130)
	(33,482,878)	(33,353,793)	(1,293)	(130)

Cash and cash equivalents comprise cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hour. (see note 16).

Financial assets measured at amortised cost comprise net investments in HP contracts and loan agreements receivable.

Financial liabilities measured at amortised cost comprise trade creditors, obligations under finance lease and hire purchase contracts, other creditors, accruals and other loans.

Notes to the Financial Statements
For the Period Ended 26 March 2016

22. Deferred taxation

Group

	Deferred tax
	£
At 1 April 2015	4,000,000
Charged to the profit or loss	(3,008,000)
At 26 March 2016	992,000

	Group 26 March 2016	Group 31 March 2015
	£	£
Tax losses recognised	992,000	4,000,000
	992,000	4,000,000

23. Provisions

Group

	Other provision
	£
Charged to the profit or loss	1,440,000
At 26 March 2016	1,440,000

24. Share capital

	26 March 2016	31 March 2015
	£	£
Allotted, called up and fully paid		
95,810 (2015 - 95,800) A ordinary shares shares of £0.01 each	958	958
66,670 (2015 - 66,700) B ordinary shares shares of £0.01 each	667	667
4,190 (2015 - 4,200) C ordinary shares shares of £0.01 each	42	42
	1,667	1,667

24. Share capital (continued)

Dividends

The B ordinary shares are not entitled to a dividend until certain conditions included in the memorandum of association are met.

Return of capital and realisation

In the event of a winding up of the company or a realisation, the surplus assets or proceeds of realisation are first applied to pay the holders of A and C ordinary shares amounts paid up on the shares plus any arrears of dividends. Secondly, the holders of A and C ordinary shares shall receive the first return target (as defined by the company's articles of association). In the event that the holders of A and C ordinary receive an amount less than the first return target, the holders of B ordinary shares receive 1p but have no rights to any further distributions. Once the holders of A and C ordinary shares receive an amount equal to the first return target, the assets will be distributed to all shareholders in line with the distribution matrix included in the memorandum of association.

Voting rights

The holders of A and C ordinary shares are entitled to attend and vote at general meetings of the company. The holders of the C ordinary shares receive 6 votes for every share held. The holders of B ordinary shares are entitled to attend general meetings but do not have any voting rights.

25. Reserves

Capital redemption reserve

The capital redemption reserve contains amounts from retained profits used to repurchase own shares.

Profit & loss account

The profit and loss account contains all current and prior period retained earnings.

26. Pension commitments

The company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund.

The pension cost charge represents contributions payable by the company to the fund and amounted to £279,165 (2014 £275,814). Amounts totalling £nil (2014: £nil). were payable at the year end.

Notes to the Financial Statements
For the Period Ended 26 March 2016

27. Commitments under operating leases

At 26 March 2016 the group had future minimum lease payments under non-cancellable operating leases as follows:

	Group 26 March 2016 £	Group 31 March 2015 £
Not later than 1 year	5,716,581	5,457,546
Later than 1 year and not later than 5 years	17,539,018	17,594,763
Later than 5 years	5,865,531	8,101,781
Total	29,121,130	31,154,090

28. Contingent liabilities

Bank borrowings
The company has entered into an unlimited guarantee in respect of loans with other companies in the group. At 31 March 2016 the loans guaranteed were £15,287,008 (2015: £13,910,341) The company has guaranteed certain leases for properties occupied by a group company.

VAT
The group makes a mixture of exempt and taxable supplies and Temple Finance Limited, one of the group's trading subsidiaries, applies a partial exemption method to calculate the amount of recoverable VAT incurred on costs which relate to taxable supplies. The directors have proposed a Partial Exemption Special Method which has not been accepted by HMRC. Input tax claims have therefore continued to be made on the Standard Method, with a Standard Method over-ride to reflect use of certain overheads in respect of exempt supplies. This approach has been challenged by HMRC, which considers that VAT has been over-recovered and has raised assessments for amounts that it believes are due in respect of the VAT returns up to and including March 2013.

The directors, having taken advice, believe that these assessments in respect of periods up to and including March 2010 were raised out of time and are not due. They also strongly contest the basis on which all assessments have been made and have appealed them.

In addition, as at 30 April 2014 HMRC has raised assessments in the sum of £4,169,319, contending that cross charges between group companies were not made at open market value. These contradict independent transfer pricing reviews conducted for the group which suggest that the group's inter-company charges fall within an acceptable bench-marked range.

Furthermore, the directors, having taken advice, believe that assessments up to March 2011 were raised out of time, a position which has now been accepted by HMRC. The directors also consider that the current recharges are correct and can be supported with appropriate evidence, and will continue vigorously to contest the position adopted by HMRC.

During the year this case was heard in a First Tier Tribunal which found in favour of the group. HMRC have subsequently indicated they will appeal this decision.

Income tax
HMRC have raised an enquiry into the corporation tax computations for the group for the year ended 31 March 2013 regarding the deductibility of GSOP payments by the company, which is currently on-going. If HMRC is successful in its challenge, there is a possibility of loss of corporation tax relief if the GSOP payment is ultimately treated as a distribution.

Furthermore, PAYE and NICs could be due and payable by the group. HMRC have issued a letter to the company stating that they currently consider the GSOP to be a tax avoidance scheme and that they are prepared to litigate to recover tax, including penalties and interest. The letter gives companies the option to settle with HMRC to avoid litigation. The group is in on-going discussions with HMRC in respect of GSOP arrangements which have not yet reached a conclusion.

The potential liability amounts to £475k (including interest but excluding potential penalties).

The group has obtained legal advice which indicates that the planning is robust and at this point in time the group believe that the payment is not probable but is possible as there is a small possibility that HMRC may be successful in their claim.

Notes to the Financial Statements
For the Period Ended 26 March 2016

29. Controlling party

The ultimate controlling party is Cabot Square Capital Nominee Limited.

30. First time adoption of FRS 102

The policies applied under the entity's previous accounting framework are not materially different to FRS 102 and have not impacted on equity or profit or loss.

Following the introduction of FRS 102 the group has taken the the opportunity to review the recognition of revenue in terms of the probability that the economic benefit will flow. In light of this turnover and cost of sales have reduced by £6,138,341 for the year ended 31 March 2015. This has no impact on the Statement of Financial Position.