

**Residual and Brand Management Limited (previously known as
Residual Brand Management Limited)**

Financial Statements

31 December 2017



ANDERSON ROSS LLP

Chartered Accountants and Statutory Auditors
22 West Green Road
London
United Kingdom
N15 5NN

Residual and Brand Management Limited

Financial Statements

Year ended 31 December 2017

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Residual and Brand Management Limited

Strategic Report

Year ended 31 December 2017

The director presents his strategic report on the company for the year ended 31 December 2017.

Business Review

The principal activity of the company during the year was the wholesale of household goods. The company specialises and has many years' experience in the secure and discreet distribution of remnant and non-performing inventory to secondary markets worldwide. It has grown to be one of the sector's leading organisations for New Product Introduction (NPI) solutions, and works with Fast Moving Consumer Goods (FMCG) multinational manufacturers. The company is wholly owned by J. A. Phillips Holdings Limited, a private company limited by shares, incorporated in England and Wales.

For the past decade, the company has been providing a discreet route to market the world's largest brand names in fragrances, cosmetics, premium skincare and sun preparations. The company's main objective is to protect the core brands it markets and sells, and to develop long terms relationships with its clients. The company's culture and philosophy are based on professionalism, transparency and responsibility in the pursuit of becoming a market leader in the sector it operates.

The company, facilitated by fellow group companies based in foreign countries, has further increased its market share as a specialist distributor for the European Independent Channel and Strategic Markets by continuing to provide a global service thus ensuring the reputation of manufacturers' core brands. The group is now present in Poland, Austria, Germany and Netherland. The company is sourcing its supplies together with fellow subsidiaries around Europe thereby guaranteeing its source of supply.

Key Performance Indicators

The company's key performance indicators are as follows:

	2017	2016
Turnover (£)	7,785,015	10,637,767
Gross profit (%)	23	30
Operating profit (%)	3	16

The turnover of the company has decreased by approximately 27% in the year, which resulted to gross profit percentage decreasing by 7%. The performance for the year as compared to last year is explained by the fact that the local market is more competitive than before due to an increase in the number of new entrants. Furthermore, the bargaining power of suppliers has also increased thereby allowing less flexibility for negotiation by the company and its fellow subsidiaries for negotiation. This has led to a decline in the company's gross profit and net profit margins. In order to cater for the ever increasing local competition, there has been a change in the market strategy which is explained in more detail below.

Residual and Brand Management Limited

Strategic Report *(continued)*

Year ended 31 December 2017

Principal Risks and Uncertainties

The company is exposed to the following risks:

Obsolete stock

The company faces the risk of having a high volume of slow moving or obsolete stock, as it is required to sell via approved channels.

Exchange rate risks

The company operates in international markets and therefore faces the risk of adverse exchange rate movements.

Competition risks

The market place is becoming more competitive than before as discounters and major retailers fight for growth and market share.

Political risks

As the company operates in a number of international markets, it is exposed to the political environment in each of these markets.

Threat of new entrants

A number of new market players have joined the local market, thus increasing competition and posing a threat to the company's business.

Bargaining powers of suppliers

There has been an increase in the number of new entrants joining the local market while the number of suppliers has remained the same, thereby increasing the bargaining power of suppliers.

In order to mitigate the risks referred to above, the company operates to a minimal extent in strategic markets which are logistically unavailable due to their high risk nature, including their volatile political position. Furthermore, the company maintains a close relationship with its customers in order to better understand the market needs and to continuously provide a better service than its competitors.

Change in Market Strategy

The local market has witnessed major changes whereby the market is more competitive than before. In order to continue operating profitably, the company changed its market strategy whereby the focus is now geared in a more significant manner towards the overseas markets than the local market.

The director firmly believes that the change in strategy will improve the future performance of the company. The said change in strategy is expected to enable the company to strengthen its overall position in Europe.

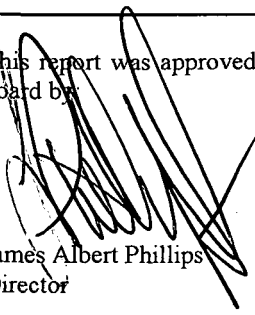
The director remains committed to consolidating the company's business through the change in strategy mentioned above and by carefully limiting the company's overheads.

Residual and Brand Management Limited

Strategic Report *(continued)*

Year ended 31 December 2017

This report was approved by the board of directors on 18/09/2018 and signed on behalf of the board by:



James Albert Phillips
Director

Residual and Brand Management Limited

Director's Report

Year ended 31 December 2017

The director presents his report, his strategic report and the financial statements of the company for the year ended 31 December 2017.

Director

The director who served the company during the year was as follows:

James Albert Phillips

Results and Dividends

The results for the year are set out in detail on page 10.

Particulars of recommended dividends are detailed in note 12 to the financial statements.

Disclosure of information in the strategic report

The information required under section 414C(11) of the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 has been included in the company's strategic report.

Director's responsibilities statement

The director is responsible for preparing the strategic report, the 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 the profit or loss of the company for that period.

In preparing these financial statements, the director is required to:

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

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

The person who is a director at the date of approval of this report confirms that:

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

Auditor

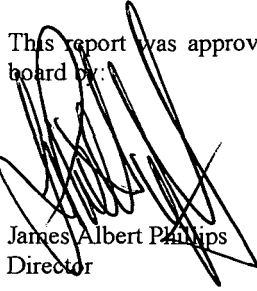
The auditors, Anderson Ross LLP, have expressed their willingness to continue in office and a resolution to appoint them will be proposed at the annual general meeting in accordance with section 485 of the Companies Act 2006.

Residual and Brand Management Limited

Director's Report *(continued)*

Year ended 31 December 2017

This report was approved by the board of directors on 18/09/2018 and signed on behalf of the board by:



James Albert Phillips
Director

Residual and Brand Management Limited

Independent Auditor's Report to the Member of Residual and Brand Management Limited

Year ended 31 December 2017

Opinion

We have audited the financial statements of Residual and Brand Management Limited for the year ended 31 December 2017 which comprise the statement of income and retained earnings, statement of financial position, statement of cash flows and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's member, 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 member 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 member as a body, for our audit work, for this report, or for the opinions we have formed.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the director's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the director has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Residual and Brand Management Limited

Independent Auditor's Report to the Member of Residual and Brand Management Limited *(continued)*

Year ended 31 December 2017

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The director is responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic report and the 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.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the director's report.

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

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

Residual and Brand Management Limited

Independent Auditor's Report to the Member of Residual and Brand Management Limited *(continued)*

Year ended 31 December 2017

Responsibilities of the director

As explained more fully in the director's responsibilities statement, the director is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the director determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the director is responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the director either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the director.
- Conclude on the appropriateness of the director's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Residual and Brand Management Limited

Independent Auditor's Report to the Member of Residual and Brand Management Limited *(continued)*

Year ended 31 December 2017

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Anderson Ross LLP

Naraidoo Savomy (Senior Statutory Auditor)

For and on behalf of
Anderson Ross LLP
Chartered Accountants and Statutory Auditors
22 West Green Road
London
United Kingdom
N15 5NN

Date: *18 September 2018*

Residual and Brand Management Limited

Statement of Income and Retained Earnings

Year ended 31 December 2017

	Note	2017 £	2016 £
Turnover	4	7,785,015	10,637,767
Cost of sales		(6,014,827)	(7,412,396)
Gross profit		1,770,188	3,225,371
Distribution costs		(774,774)	(729,473)
Administrative expenses		(2,108,024)	(1,996,906)
Other operating income	5	1,412,102	1,153,700
Operating profit	6	299,492	1,652,692
Other interest receivable and similar income	9	8,833	2,018
Interest payable and similar expenses	10	(134,568)	(159,828)
Profit before taxation		173,757	1,494,882
Tax on profit	11	(33,173)	(313,717)
Profit for the financial year and total comprehensive income		140,584	1,181,165
Dividends paid and payable	12	(2,000,000)	(2,000,000)
Retained earnings at the start of the year		4,135,288	4,954,123
Retained earnings at the end of the year		2,275,872	4,135,288

All the activities of the company are from continuing operations.

The notes on pages 14 to 24 form part of these financial statements.

Residual and Brand Management Limited

Statement of Financial Position

31 December 2017

	Note	2017 £	2016 £
Fixed assets			
Tangible assets	13	41,156	48,419
Current assets			
Stocks	14	2,152,153	2,142,707
Debtors	15	4,192,323	3,490,938
Cash at bank and in hand		770,101	4,233,029
		<u>7,114,577</u>	<u>9,866,674</u>
Creditors: amounts falling due within one year	17	<u>(4,874,266)</u>	<u>(5,773,260)</u>
Net current assets		<u>2,240,311</u>	<u>4,093,414</u>
Total assets less current liabilities		<u>2,281,467</u>	<u>4,141,833</u>
Provisions	18	<u>(4,595)</u>	<u>(5,545)</u>
Net assets		<u>2,276,872</u>	<u>4,136,288</u>
Capital and reserves			
Called up share capital	22	1,000	1,000
Profit and loss account	23	<u>2,275,872</u>	<u>4,135,288</u>
Member's funds		<u>2,276,872</u>	<u>4,136,288</u>

The statement of financial position
continues on the following page.

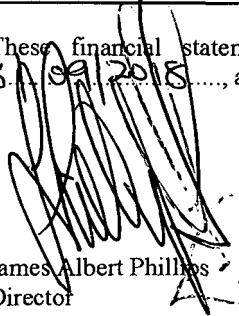
The notes on pages 14 to 24 form part of these financial statements.

Residual and Brand Management Limited

Statement of Financial Position *(continued)*

31 December 2017

These financial statements were approved by the board of directors and authorised for issue on 18 March 2018, and are signed on behalf of the board by:



James Albert Phillips
Director

Company registration number: 02964898

The notes on pages 14 to 24 form part of these financial statements.

Residual and Brand Management Limited

Statement of Cash Flows

Year ended 31 December 2017

	Note	2017 £	2016 £
Cash flows from operating activities			
Profit for the financial year		140,584	1,181,165
<i>Adjustments for:</i>			
Depreciation of tangible assets		7,263	8,544
Other interest receivable and similar income		(8,833)	(2,018)
Interest payable and similar expenses		134,568	159,828
Tax on profit		33,173	313,717
Accrued income		(20,437)	(36,862)
<i>Changes in:</i>			
Stocks		(9,446)	938,422
Trade and other debtors		(701,385)	661,605
Trade and other creditors		(290,965)	(35,012)
Cash generated from operations		(715,478)	3,189,389
Interest paid		(134,568)	(159,828)
Interest received		8,833	2,018
Tax paid		(180,192)	(300,061)
Net cash (used in)/from operating activities		<u>(1,021,405)</u>	<u>2,731,518</u>
Cash flows from financing activities			
Proceeds from loans from group undertakings		(431,970)	1,770,089
Dividends paid		(2,000,000)	(2,000,000)
Net cash used in financing activities		<u>(2,431,970)</u>	<u>(229,911)</u>
Net (decrease)/increase in cash and cash equivalents		(3,453,375)	2,501,607
Cash and cash equivalents at beginning of year		<u>4,223,476</u>	<u>1,721,869</u>
Cash and cash equivalents at end of year	16	<u>770,101</u>	<u>4,223,476</u>

The notes on pages 14 to 24 form part of these financial statements.

Residual and Brand Management Limited

Notes to the Financial Statements

Year ended 31 December 2017

1. General information

The company is a private company limited by shares, registered in England and Wales. The address of the registered office is Unit 8, Trafalgar Business Centre, 77-89 River Road, Barking, Essex, IG11 0JU.

2. Statement of compliance

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

3. Accounting policies

Basis of preparation

The financial statements have been prepared on the going concern basis and in accordance with the historical cost basis, as modified by the revaluation of certain financial assets and liabilities and investment properties measured at fair value through profit or loss.

The financial reporting framework that has been applied in their preparation is the Companies Act 2006 and FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' issued by the Financial Reporting Council.

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

Disclosure exemptions

The entity satisfies the criteria of being a qualifying entity as defined in FRS 102. Its financial statements are consolidated into the financial statements of J.A. Phillips Holdings Limited which can be obtained from the latter's registered office at Unit 8, Trafalgar Business Centre, 77-89 River Road, Barking, Essex, IG11 0JU. As such, advantage has been taken of the following disclosure exemptions available under paragraph 1.12 of FRS 102:

(a) No disclosure has been given for the aggregate remuneration of key management personnel.

(b) No disclosure has been made for related party transactions with the parent company and its fellow subsidiaries.

Judgements and key sources of estimation uncertainty

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

Revenue recognition

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

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

Residual and Brand Management Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2017

3. Accounting policies *(continued)*

Income tax

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

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

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

Foreign currencies

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are re-translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured at historical cost in a foreign currency are not re-translated.

Exchange differences arising on the settlement of monetary items and on the retranslation of monetary items are taken to the profit and loss account. Exchange differences arising on non-monetary items, carried at fair value, are included in the profit and loss account, except for the differences arising on the retranslation of non-monetary items in respect of which gains and losses are recorded in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

Tangible assets

Tangible assets are initially recorded at cost, and subsequently stated at cost less any accumulated depreciation and impairment losses. Any tangible assets carried at revalued amounts are recorded at the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

An increase in the carrying amount of an asset as a result of a revaluation, is recognised in other comprehensive income and accumulated in equity, except to the extent it reverses a revaluation decrease of the same asset previously recognised in profit or loss. A decrease in the carrying amount of an asset as a result of revaluation, is recognised in other comprehensive income to the extent of any previously recognised revaluation increase accumulated in equity in respect of that asset. Where a revaluation decrease exceeds the accumulated revaluation gains accumulated in equity in respect of that asset, the excess shall be recognised in profit or loss.

Residual and Brand Management Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2017

3. Accounting policies *(continued)*

Depreciation

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

Fixtures and fittings - 15% reducing balance

Impairment of fixed assets

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

For the purposes of impairment testing, when it is not possible to estimate the recoverable amount of an individual asset, an estimate is made of the recoverable amount of the cash-generating unit to which the asset belongs. The cash-generating unit is the smallest identifiable group of assets that includes the asset and generates cash inflows that largely independent of the cash inflows from other assets or groups of assets.

For impairment testing of goodwill, the goodwill acquired in a business combination is, from the acquisition date, allocated to each of the cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the company are assigned to those units.

Stocks

Stocks are measured at the lower of cost and estimated selling price less costs to complete and sell. Cost includes all costs of purchase, costs of conversion and other costs incurred in bringing the stock to its present location and condition.

Provisions

Provisions are recognised when the entity has an obligation at the reporting date as a result of a past event, it is probable that the entity will be required to transfer economic benefits in settlement and the amount of the obligation can be estimated reliably. Provisions are recognised as a liability in the statement of financial position and the amount of the provision as an expense.

Provisions are initially measured at the best estimate of the amount required to settle the obligation at the reporting date and subsequently reviewed at each reporting date and adjusted to reflect the current best estimate of the amount that would be required to settle the obligation. Any adjustments to the amounts previously recognised are recognised in profit or loss unless the provision was originally recognised as part of the cost of an asset. When a provision is measured at the present value of the amount expected to be required to settle the obligation, the unwinding of the discount is recognised as a finance cost in profit or loss in the period it arises.

Financial instruments

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

Residual and Brand Management Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2017

3. Accounting policies *(continued)*

Financial instruments *(continued)*

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

Debt instruments are subsequently measured at amortised cost.

Where investments in non-convertible preference shares and non-puttable ordinary shares or preference shares are publicly traded or their fair value can otherwise be measured reliably, the investment is subsequently measured at fair value with changes in fair value recognised in profit or loss. All other such investments are subsequently measured at cost less impairment.

Other financial instruments, including derivatives, are initially recognised at fair value, unless payment for an asset is deferred beyond normal business terms or financed at a rate of interest that is not a market rate, in which case the asset is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Other financial instruments are subsequently measured at fair value, with any changes recognised in profit or loss, with the exception of hedging instruments in a designated hedging relationship.

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

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

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

Defined contribution plans

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

When contributions are not expected to be settled wholly within 12 months of the end of the reporting date in which the employees render the related service, the liability is measured on a discounted present value basis. The unwinding of the discount is recognised as a finance cost in profit or loss in the period in which it arises.

4. Turnover

Turnover arises from:

	2017	2016
	£	£
Sale of goods	<u>7,785,015</u>	<u>10,637,767</u>

Residual and Brand Management Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2017

4. Turnover *(continued)*

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

	2017 £	2016 £
United Kingdom	4,158,396	7,471,525
Overseas	3,626,619	3,166,242
	<u>7,785,015</u>	<u>10,637,767</u>

5. Other operating income

	2017 £	2016 £
Commission receivable	31,230	19,163
Management charges receivable	1,389,305	1,039,260
Other operating income	(8,433)	95,277
	<u>1,412,102</u>	<u>1,153,700</u>

6. Operating profit

Operating profit or loss is stated after crediting:

	2017 £	2016 £
Depreciation of tangible assets	7,263	8,544
Impairment of trade debtors	12,225	(66,562)
Foreign exchange differences	<u>(28,363)</u>	<u>(337,872)</u>

7. Auditor's remuneration

	2017 £	2016 £
Fees payable for the audit of the financial statements	<u>10,500</u>	<u>10,500</u>
Fees payable to the company's auditor and its associates for other services: Audit-related assurance services	<u>6,500</u>	<u>6,500</u>

8. Staff costs

The average number of persons employed by the company during the year, including the director, amounted to:

	2017 No.	2016 No.
The average monthly numbers of employees (including the director) during the year were :	<u>20</u>	<u>20</u>

Residual and Brand Management Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2017

8. Staff costs *(continued)*

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

	2017	2016
	£	£
Wages and salaries	490,542	449,510
Social security costs	40,654	36,975
Other pension costs	2,998	2,186
	<u>534,194</u>	<u>488,671</u>

9. Other interest receivable and similar income

	2017	2016
	£	£
Interest on loans and receivables	7,544	–
Interest on cash and cash equivalents	1,289	2,018
	<u>8,833</u>	<u>2,018</u>

10. Interest payable and similar expenses

	2017	2016
	£	£
Interest on banks loans and overdrafts	134,285	159,889
Other interest payable and similar charges	283	(61)
	<u>134,568</u>	<u>159,828</u>

11. Tax on profit

Major components of tax expense

	2017	2016
	£	£
Current tax:		
UK current tax expense	34,123	314,518
Deferred tax:		
Origination and reversal of timing differences	(950)	(801)
Tax on profit	<u>33,173</u>	<u>313,717</u>

Residual and Brand Management Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2017

11. Tax on profit *(continued)*

Reconciliation of tax expense

The tax assessed on the profit on ordinary activities for the year is higher than (2016: higher than) the standard rate of corporation tax in the UK of 19% (2016: 20%).

	2017 £	2016 £
Profit on ordinary activities before taxation	173,757	1,494,882
Profit on ordinary activities by rate of tax	33,014	298,976
Effect of different UK tax rates on some earnings	437	–
Deferred tax	(950)	(801)
Depreciation in excess of capital allowance	672	800
Expenses not deductible for tax purpose	–	14,742
Tax on profit	33,173	313,717

12. Dividends

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

	2017 £	2016 £
Dividends on equity	2,000,000	2,000,000

13. Tangible assets

	Fixtures and fittings £
Cost	
At 1 Jan 2017 and 31 Dec 2017	241,234
Depreciation	
At 1 January 2017	192,815
Charge for the year	7,263
At 31 December 2017	200,078
Carrying amount	
At 31 December 2017	41,156
At 31 December 2016	48,419

14. Stocks

	2017 £	2016 £
Finished goods and goods for resale	2,152,153	2,142,707

Residual and Brand Management Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2017

15. Debtors

	2017 £	2016 £
Trade debtors	3,653,487	3,201,504
Amounts owed by group undertakings	25,871	33,265
Prepayments and accrued income	50,149	65,662
Corporation tax repayable	65,877	–
Other debtors	396,939	190,507
	<u>4,192,323</u>	<u>3,490,938</u>

Included in trade debtors is an amount of £2,024,240 (2016: £1,234,555) relating to advance payments for stock.

16. Cash and cash equivalents

Cash and cash equivalents comprise the following:

	2017 £	2016 £
Cash at bank and in hand	770,101	4,233,029
Bank overdrafts	–	(9,553)
	<u>770,101</u>	<u>4,223,476</u>

17. Creditors: amounts falling due within one year

	2017 £	2016 £
Bank loans and overdrafts	–	9,553
Trade creditors	185,691	416,677
Amounts owed to group undertakings	4,371,422	4,803,392
Accruals and deferred income	302,686	323,123
Corporation tax	–	146,069
Social security and other taxes	13,930	73,892
Other creditors	537	554
	<u>4,874,266</u>	<u>5,773,260</u>

18. Provisions

	Deferred tax (note 19) £
At 1 January 2017	5,545
Charge against provision	(950)
At 31 December 2017	<u>4,595</u>

Residual and Brand Management Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2017

19. Deferred tax

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

	2017	2016
	£	£
Included in provisions (note 18)	<u>4,595</u>	<u>5,545</u>

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

	2017	2016
	£	£
Accelerated capital allowances	<u>4,595</u>	<u>5,545</u>

20. Employee benefits

Defined contribution plans

The amount recognised in profit or loss as an expense in relation to defined contribution plans was £2,998 (2016: £2,186).

21. Financial instruments

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

	2017	2016
	£	£
Financial assets measured at fair value through profit or loss	<u>770,101</u>	<u>4,226,842</u>

22. Called up share capital

Issued, called up and fully paid

	2017		2016	
	No.	£	No.	£
Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>

23. Reserves

Profit and loss account - this reserve records retained earnings and accumulated losses.

Residual and Brand Management Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2017

24. Related party transactions

Mr James Albert Phillips is a limited personal guarantor for the company.

a) J.A. Phillips Consultancy LLP

Mr James Daniel Phillips is a designated member of the partnership.

During the year, consultancy fees charged by the partnership amounted to £550,000 (2016 - £970,000).

At the end of the year, the amount owed to this partnership was Nil (2016 - £4,000).

At the end of the year, the amount owed by this partnership was £143,905 (2016 - Nil).

b) Branded Beauty Limited

Mr James Daniel Phillips is a shareholder of the company.

During the year, sales to this company amounted to £29,285 (2016 - £78,110).

At the end of the year, the amount owed by this company was £6 (2016 - £43,690).

c) Living Home Interiors LLP

Mr James Daniel Phillips is a designated member of the partnership.

During the year, expenses recharged to the partnership amounted to £503 (2016 - £9,175).

During the year, loans advanced to the partnership amounted to £23,700 (2016 - £120,083).

During the year, interest charged to this partnership amounted to £4,129 (2016 - Nil).

At the end of the year, the amount owed by this partnership was £147,930 (2016 - £130,823).

d) Trafalgar Business Centre Management Company (No. 2) Limited

Mr James Albert Phillips is a shareholder of the company.

During the year, fees charged to Trafalgar Business Centre Management Company (No. 2) Limited amounted to £4,560 (2016 - £4,560).

During the year, expenses recharged to this company amounted to £105 (2016 - £819).

During the year, security services charged by this company amounted to £3,420 (2016 - £9,359).

At the end of the year, the amount owed to this company was £2,703 (2016 - £1,440).

Residual and Brand Management Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2017

e) M O International LLP

Mr. James Daniel Phillips is a designated member of the partnership.

During the year, loans advanced to the partnership amounted to £5,250 (2016 - £4,504).

During the year, interest charged to this partnership amounted to £365 (2016 - £167).

At the end of the year, the amount owed by this partnership was £13,838 (2016 - £8,223).

25. Controlling party

The company is wholly owned by J.A. Phillips Holdings Limited, a company registered in England and Wales.

The parent undertaking of the group which includes the company and for which group accounts are prepared is J.A. Phillips Holdings Limited. Copies of the group financial statements are available from Companies House, Crown Way, Mandy, Cardiff, CF4 3UZ.