

# Financial Statements W.H. Smith & Sons Holdings Limited

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For the Period Ended 29 April 2016

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COMPANIES HOUSE

Registered number: 03411415

W.H. Smith & Sons Holdings Limited  
Registered number:03411415

## Company Information

**Directors**

F H Smith  
C G Smith  
J H Smith  
B J Smith

**Company secretary**

P J Rushton

**Registered number**

03411415

**Registered office**

Water Orton Lane  
Minworth  
Sutton Coldfield  
West Midlands  
B76 9BG

**Independent auditor**

Grant Thornton UK LLP  
Chartered Accountants & Statutory Auditor  
The Colmore Building  
20 Colmore Circus  
Birmingham  
West Midlands  
B4 6AT

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## Group Strategic Report

For the Period Ended 29 April 2016

### **Business review and future developments**

2015/16 was a year of strong growth for the business with turnover increasing by 30% year on year.

Investment was made in new moulding machines and orders for further machines were placed at the Minworth site to provide the capacity for new work that will be introduced fully in 2016/17 and 2017/18.

Turnover increased strongly at the Runcorn site and with future work being mainly painting of mouldings that will be produced within the group, the future for the painting business looks both secure and at a near full capacity level.

The Egyptian company performed well and continues to offer customers high quality products produced in a lower cost base facility.

Consolidated operating profit increased by 39% in the year. This was driven by the additional sales but also reflected good control of operating costs across all businesses.

Significant volumes of new work continue to be won, especially in tooling and moulding sales. Further investment has been committed to in the coming year to support this, with additional moulding machines to be purchased for the Minworth site, an extension to the Site 2 factory has commenced and plans to rent a further unit on the site are in place.

The strength of the balance sheet will continue to give both new and existing customers confidence when assessing supplier risk.

The group will continue to be committed to UK manufacturing operations and together with the Cairo facility will be best placed to meet all customer needs.

The group anticipates further strong growth over the next two years based on new programmes already nominated. The challenge to the group will continue to be to manage this expansion whilst maintaining the high levels of cost control, quality and delivery performance that it has achieved in the last twelve months.

Staff numbers increased in the year to 756 compared to 674 in the prior year. Extensive training programmes were run in the year to both support staff moving in to new roles and to improve continuous improvement activities across all businesses.

The dedication and hard work of staff has been of paramount importance in achieving improvements in day to day operational performance whilst at the same time managing the significant growth that the company has achieved.

The group are looking forward to a very positive future and being able to deliver growth to better serve our customers and provide opportunities for all our employees.

## Group Strategic Report (continued)

For the Period Ended 29 April 2016

### Financial risk management objectives and policies

It is the group's policy not to enter into trading of a speculative nature in respect of financial instruments. The group buys and sells mainly in Sterling and Euro currencies. Management seeks to match the inflows and outflows in both currencies as closely as possible in order to minimize exchange rate risk.

#### Credit Risk

Credit risk refers to the risk that a customer will default on its contractual obligations resulting in financial loss to the company. Management has a credit policy in place that includes having credit insurance in place for debtors as appropriate. Credit limits are operated per customer based on independent credit rating agencies where available. Immediate action is taken when debts become overdue beyond agreed terms.s.

#### Price Risk

The company is exposed to price risk on raw material purchases and energy costs. By means of robust purchasing and operational improvements the group look to minimise such impacts. Should increases be unavoidable then price increases will be implemented in order to maintain required margins.

#### Cash Flow and Liquidity Risk

Liquidity risk is the risk that the company may not be able to meet its financial obligations as they fall due. The company ensures that there are sufficient levels of cash and cash equivalents at all times to meet its financial obligations.

### Financial key performance indicators

The group's basic KPI performance for the period is set out in the table below:

	2016	2015
1. Gross margin	25.1%	27.2%
2. Operating margin	14.1%	13.3%

#### Definitions

1. Gross margin = gross profit expressed as a percentage of turnover
2. Operating margin = operating profit expressed as a percentage of turnover

## Group Strategic Report (continued)

For the Period Ended 29 April 2016

### Principal risks and uncertainties

The key areas of risk to the business are:


- i) Raw material price increases- All increases are mitigated by robust purchasing but where unavoidable such increases are passed on to customers.
- ii) A downturn in automotive markets – Our main automotive customers are performing well and investing substantially in bring new models to market. The company has very low levels of borrowings and is continuing to seek to expand non automotive work with existing and new customers.

This report was approved by the board on

17/01/17

and signed on its behalf.

C G Smith  
Director



# Directors' Report

For the Period Ended 29 April 2016

The directors present their report and the financial statements for the period ended 29 April 2016.

## Results and dividends

The profit for the period, after taxation and minority interests, amounted to £6,648,000 (2015: £4,685,000).

## Directors

The directors who served during the period were:

F H Smith  
C G Smith  
J H Smith  
B J Smith

## 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.

## Employee involvement

During the period the group has continued to develop and improve arrangements aimed at involving employees in all of its affairs in so far as they affect employees.

## Disabled employees

The group has a policy of giving full and just consideration to applicants for employment made by disabled persons, together with a policy of fulfilling its obligations towards employees who are disabled or become disabled during the period when they are employed by the group.

## Directors' Report

For the Period Ended 29 April 2016

### Matters covered in the strategic report

For a review of the business and details of financial risk management objectives and policies please refer to the strategic report.

### 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.

### Post balance sheet events

There have been no significant events affecting the Group since the year end.

### Auditors

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

17/01/17

and signed on its behalf.



**P J Rushton**  
Secretary



## Independent Auditor's Report to the Members of W H Smith & Sons Holdings Limited

We have audited the financial statements of W.H. Smith & Sons Holdings Limited for the period ended 29 April 2016, which comprise the Consolidated Statement of comprehensive income, the Consolidated and Company Statements of financial position, the Consolidated Statement of cash flows, the Consolidated 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), (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 on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

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](http://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 29 April 2016 and of the Group's profit 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.



## Independent Auditor's Report to the Members of W H Smith & Sons Holdings Limited

### **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..

### **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.

*Grant Thornton UK LLP*

Rebecca Eagle (Senior statutory auditor)

for and on behalf of

**Grant Thornton UK LLP**

Chartered Accountants

Statutory Auditor

Birmingham

West Midlands

B4 6AT

Date: 23/1/17.

## Consolidated Statement of Comprehensive Income

For the Period Ended 29 April 2016

	Note	Period ended 29 April 2016 £	Period ended 1 May 2015 £000
Turnover	4	56,646	43,455
Cost of sales		(42,407)	(31,629)
<b>Gross profit</b>		<b>14,239</b>	<b>11,826</b>
Administrative expenses		(6,367)	(6,178)
Other operating income	5	139	116
<b>Operating profit</b>	6	<b>8,011</b>	<b>5,764</b>
Interest receivable and similar income	10	7	6
Interest payable and expenses	11	(31)	(42)
<b>Profit before taxation</b>		<b>7,987</b>	<b>5,728</b>
Tax on profit	12	(1,339)	(1,043)
<b>Profit for the period</b>		<b>6,648</b>	<b>4,685</b>
Non-controlling interests		126	47
Owners of the parent Company		6,522	4,638
		<b>6,648</b>	<b>4,685</b>

There was no other comprehensive income for 2016 (2015:£NIL).

The notes on pages 17 to 44 form part of these financial statements.

## Consolidated Statement of Financial Position

As at 29 April 2016

	Note	29 April 2016 £000	1 May 2015 £000
<b>Fixed assets</b>			
Tangible assets	15	11,701	10,644
		<u>11,701</u>	<u>10,644</u>
<b>Current assets</b>			
Stocks	18	7,890	7,505
Debtors: amounts falling due within one year	19	12,114	9,760
Cash at bank and in hand	20	7,755	3,007
		<u>27,759</u>	<u>20,272</u>
Creditors: amounts falling due within one year	21	(13,465)	(7,785)
<b>Net current assets</b>		<u>14,294</u>	<u>12,487</u>
<b>Total assets less current liabilities</b>		<u>25,995</u>	<u>23,131</u>
Creditors: amounts falling due after more than one year	22	(265)	(66)
<b>Provisions for liabilities</b>			
Deferred taxation	25	(175)	(158)
		<u>(175)</u>	<u>(158)</u>
<b>Net assets</b>		<u>25,555</u>	<u>22,907</u>
<b>Capital and reserves</b>			
Called up share capital	26	11	11
Revaluation reserve	27	1,261	1,285
Retained earnings	27	23,884	21,338
<b>Equity attributable to owners of the parent Company</b>		<u>25,156</u>	<u>22,634</u>
Non-controlling interests		399	273
		<u>25,555</u>	<u>22,907</u>

## Consolidated Statement of Financial Position (continued)

As at 29 April 2016

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

17/01/17



**C G Smith**  
Director

The notes on pages 17 to 44 form part of these financial statements.

## Company Statement of Financial Position

As at 29 April 2016

	Note	29 April 2016 £000	1 May 2015 £000
<b>Fixed assets</b>			
Tangible assets	15	88	126
Investments	16	402	402
Investment property	17	7,422	7,422
		<u>7,912</u>	<u>7,950</u>
<b>Current assets</b>			
Debtors: amounts falling due within one year	19	368	284
Cash at bank and in hand	20	3,583	3,840
		<u>3,951</u>	<u>4,124</u>
Creditors: amounts falling due within one year	21	(3,421)	(528)
<b>Net current assets</b>		<u>530</u>	<u>3,596</u>
<b>Total assets less current liabilities</b>		<u>8,442</u>	<u>11,546</u>
<b>Net assets</b>		<u>8,442</u>	<u>11,546</u>
<b>Capital and reserves</b>			
Called up share capital	26	11	11
Retained earnings	27	8,431	11,535
		<u>8,442</u>	<u>11,546</u>

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

17/05/17

C G Smith  
Director



W.H. Smith & Sons Holdings Limited  
Registered number:03411415

## Consolidated Statement of Changes in Equity

For the Period Ended 29 April 2016

	Share capital	Revaluation reserve	Retained earnings	Equity attributable to owners of parent Company	Non-controlling interests	Total equity
	£000	£000	£000	£000	£000	£000
At 2 May 2015	11	1,285	21,338	22,634	273	22,907
<b>Comprehensive income for the period</b>						
Profit for the period	-	-	6,522	6,522	126	6,648
<b>Total comprehensive income for the period</b>	-	-	6,522	6,522	126	6,648
Dividends: Equity capital	-	-	(4,000)	(4,000)	-	(4,000)
Transfer to/from retained earnings	-	(24)	24	-	-	-
<b>At 29 April 2016</b>	<b>11</b>	<b>1,261</b>	<b>23,884</b>	<b>25,156</b>	<b>399</b>	<b>25,555</b>

W.H. Smith & Sons Holdings Limited  
Registered number:03411415

## Consolidated Statement of Changes in Equity

For the Period Ended 1 May 2015

	Share capital	Revaluation reserve	Retained earnings	Equity attributable to owners of parent Company	Non-controlling interests	Total equity
	£000	£000	£000	£000	£000	£000
At 3 May 2014	11	1,309	16,676	17,996	226	18,222
<b>Comprehensive income for the period</b>						
Profit for the period	-	-	4,638	4,638	47	4,685
<b>Total comprehensive income for the period</b>	-	-	4,638	4,638	47	4,685
Transfer to/from retained earnings	-	(24)	24	-	-	-
<b>At 1 May 2015</b>	<b>11</b>	<b>1,285</b>	<b>21,338</b>	<b>22,634</b>	<b>273</b>	<b>22,907</b>

The notes on pages 17 to 44 form part of these financial statements.



## Company Statement of Changes in Equity

For the Period Ended 29 April 2016

	Share capital	Retained earnings	Total equity
	£000	£000	£000
At 2 May 2015	11	11,535	11,546
<b>Comprehensive income for the period</b>			
Profit for the period	-	896	896
<b>Contributions by and distributions to owners</b>			
Dividends: Equity capital	-	(4,000)	(4,000)
<b>At 29 April 2016</b>	<b>11</b>	<b>8,431</b>	<b>8,442</b>

## Company Statement of Changes in Equity

For the Period Ended 1 May 2015

	Share capital	Retained earnings	Total equity
	£000	£000	£000
At 3 May 2014	11	10,529	10,540
<b>Comprehensive income for the period</b>			
Profit for the period	-	1,006	1,006
<b>Total comprehensive income for the period</b>	-	1,006	1,006
<b>At 1 May 2015</b>	<b>11</b>	<b>11,535</b>	<b>11,546</b>

The notes on pages 17 to 44 form part of these financial statements.

## Consolidated Statement of Cash Flows

For the Period Ended 29 April 2016

	29 April 2016 £000	1 May 2015 £000
<b>Cash flows from operating activities</b>		
Profit for the financial period	6,648	4,685
<b>Adjustments for:</b>		
Depreciation of tangible assets	1,541	1,607
Profit on disposal of tangible assets	(14)	(6)
Increase in stocks	(385)	(2,221)
Interest payable	31	42
Interest receivable	(7)	(6)
Taxation charged	1,339	1,043
Increase in debtors	(2,354)	(3,020)
Increase in creditors	2,980	434
Corporation tax paid	(1,425)	(544)
<b>Net cash generated from operating activities</b>	<b>8,354</b>	<b>2,014</b>
<b>Cash flows from investing activities</b>		
Purchase of tangible fixed assets	(2,230)	(2,516)
Sale of tangible fixed assets	17	10
Interest received	7	6
HP interest paid	(18)	(32)
<b>Net cash from investing activities</b>	<b>(2,224)</b>	<b>(2,532)</b>

## Consolidated Statement of cash flows (continued)

### Cash flows from financing activities

Repayment of loans	(82)	(261)
Repayment of finance leases	(287)	(401)
Dividends paid	(1,000)	-
Interest paid	(13)	(10)
<b>Net cash used in financing activities</b>	<b>(1,382)</b>	<b>(672)</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>4,748</b>	<b>(1,190)</b>
Cash and cash equivalents at beginning of period	3,007	4,197
<b>Cash and cash equivalents at the end of period</b>	<b>7,755</b>	<b>3,007</b>
<b>Cash and cash equivalents at the end of period comprise:</b>		
Cash at bank and in hand	7,755	3,007
	<b>7,755</b>	<b>3,007</b>

# Notes to the Financial Statements

For the Period Ended 29 April 2016

## 1. General information

W H Smith & Sons Holdings Limited is a private company limited by shares and is incorporated in the United Kingdom. Its registered office is Water Orton Lane, Minworth, Sutton Coldfield, West Midlands, B76 9BG. The financial statements are prepared in sterling (£).

The principal activity of the company is that of an investment holding company.

## 2. Accounting policies

### 2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention as modified by the revaluation of land and buildings 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 33. FRS 102 has been applied from 03 May 2014.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgment in applying the Group's accounting policies (see note 3).

The following principal accounting policies have been applied:

### 2.2 Basis of consolidation

The consolidated financial statements present the results of Group and its own subsidiaries ("the Group") as 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 Statement of financial position, 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 statement of comprehensive income 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 3 May 2014.

# Notes to the Financial Statements

For the Period Ended 29 April 2016

## 2. Accounting policies (continued)

### 2.3 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

Revenue from the sale of plastic injection and painted plastic moulding is recognised when all of the following conditions are satisfied:

- the Group has transferred the significant risks and rewards of ownership to the buyer;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the Group will receive the consideration due under the transaction;
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

#### Rendering of services

Revenue from a contract to provide tooling is recognised in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the Group will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably, and;
- the costs incurred and the costs to complete the contract can be measured reliably.

### 2.4 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.

At each reporting date the company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

The Group adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the Group. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

## Notes to the Financial Statements

For the Period Ended 29 April 2016

### 2. 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:

Freehold buildings	- 2% to 4%
L/Term Leasehold Property	- over period of lease
Plant & machinery	- 7.5% to 25%
Motor vehicles	- 25%
Fixtures & fittings	- 10% to 50%

#### 2.5 Operating leases: Lessee

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

#### 2.6 Investment property

Investment property is carried at fair value determined annually by external valuers and derived from the current market rents and investment property yields for comparable real estate, adjusted if necessary for any difference in the nature, location or condition of the specific asset. No depreciation is provided. Changes in fair value are recognised in the Statement of Comprehensive Income.

#### 2.7 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

#### 2.8 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 out basis. Work in progress and finished goods include labour and attributable overheads.

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.

#### 2.9 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.

## Notes to the Financial Statements

For the Period Ended 29 April 2016

### **2. Accounting policies (continued)**

#### **2.10 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.

## Notes to the Financial Statements

For the Period Ended 29 April 2016

### 2. Accounting policies (continued)

#### 2.11 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 and loans to related 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 Income statement.

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 of the recoverable amount, 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.

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.

#### 2.12 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.



# Notes to the Financial Statements

For the Period Ended 29 April 2016

## 2. Accounting policies (continued)

### 2.13 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 Statement of Comprehensive Income except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of Comprehensive Income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Statement of Comprehensive Income within 'other operating income'.

On consolidation, the results of overseas operations are translated into sterling at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations are translated at the rate ruling at the reporting date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised in other comprehensive income.

### 2.14 Finance costs

Finance costs are charged to the Statement of Comprehensive Income 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 29 April 2016

### 2. Accounting policies (continued)

#### 2.15 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting. Dividends on shares recognised as liabilities are recognised as expenses and classified within interest payable.

#### 2.16 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 Statement of Comprehensive Income 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.

#### 2.17 Interest income

Interest income is recognised in the Statement of Comprehensive Income using the effective interest method.

#### 2.18 Borrowing costs

All borrowing costs are recognised in the Statement of Comprehensive Income in the period in which they are incurred.

#### 2.19 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 Statement of Comprehensive Income 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 29 April 2016

### 2. Accounting policies (continued)

#### 2.20 Current and deferred taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income, 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.

#### 2.21 Research and development

Expenditure on research and development is written off to the Statement of Comprehensive Income in the period in which it is incurred.

## Notes to the Financial Statements

For the Period Ended 29 April 2016

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

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The following judgments (apart from those involving estimates) have had the most significant effect on the amounts recognised in the financial statements.

#### Useful economic lives of tangible assets

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual value of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets.

#### Impairment of debtors

The Group makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the current credit rating of the debtor, the ageing profile of debtors and historical experience.

#### Stock

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

#### Revenue from tooling

Determining the amount to be recognised as revenue from tooling, including the recoverable work-in-progress requires significant judgements and estimates. Revenue is recognised in the profit and loss account to the relative completion of the tool. If a tooling project is loss making, the full loss is taken immediately to the profit and loss account in the period.

#### Investment property valuation

The Company company uses the valuations performed by its independent valuers or the directors as the fair value of its investment properties. The valuation is based upon assumptions including future rental income, anticipated maintenance costs and on the appropriate discount rate. The valuer and directors also make reference to market evidence of transaction prices for similar properties.

There are no other 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 adjustment to the carrying amounts of assets and liabilities within next financial year.

# Notes to the Financial Statements

For the Period Ended 29 April 2016

## 4. Analysis of turnover

Analysis of turnover by country of destination:

	Period ended 29 April 2016 £000	Period ended 1 May 2015 £000
United Kingdom	48,513	38,919
Rest of European Union	5,450	1,855
Rest of the world	2,683	2,681
	<u>56,646</u>	<u>43,455</u>

An analysis of turnover by class of business is as follows:

	29 April 2016 £000	1 May 2015 £000
Sale of plastic injections	41,086	31,757
Sale of painted plastic mouldings	5,853	7,278
Tooling services	9,707	4,420
	<u>56,646</u>	<u>43,455</u>

## 5. Other operating income

	Period ended 29 April 2016 £000	Period ended 1 May 2015 £000
Net rents receivable	139	116
	<u>139</u>	<u>116</u>

# Notes to the Financial Statements

For the Period Ended 29 April 2016

## 6. Operating profit

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

	Period ended 29 April 2016 £000	Period ended 1 May 2015 £000
Depreciation of tangible fixed assets:		
- owned by the group	1,414	1,508
- held under finance leases	127	99
Other operating lease rentals:		
- plant and machinery	31	52
- other operating leases	364	515
Foreign exchange (gains)/(losses)	(498)	131
Profit on disposal of fixed assets	(14)	(6)
	<u>          </u>	<u>          </u>

## 7. Auditor's remuneration

	Period ended 29 April 2016 £000	Period ended 1 May 2015 £000
Fees payable for the audit of the Company's annual accounts	8	7
<b>Fees payable to the Group's auditor and its associates in respect of:</b>		
Audit of financial statements of subsidiaries	38	32
Other services relating to taxation	12	10
	<u>          </u>	<u>          </u>

# Notes to the Financial Statements

For the Period Ended 29 April 2016

## 8. Employees

Staff costs, including directors' remuneration, were as follows:

	Period ended 29 April 2016 £000	Period ended 1 May 2015 £000
Wages and salaries	14,432	11,923
Social security costs	1,200	949
Other pension costs	355	272
	<u>15,987</u>	<u>13,144</u>

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

	Period ended 29 April 2016 No.	Period ended 1 May 2015 No.
Sales	6	7
Administration	72	71
Production	682	596
	<u>760</u>	<u>674</u>

## 9. Directors' remuneration

	Period ended 29 April 2016 £000	Period ended 1 May 2015 £000
Directors' emoluments	348	253
	<u>348</u>	<u>253</u>

The highest paid director received remuneration of £156k (2015 - £157k).

## Notes to the Financial Statements

For the Period Ended 29 April 2016

**10. Interest receivable**

	Period ended 29 April 2016 £000	Period ended 1 May 2015 £000
Bank interest	7	6

**11. Interest payable**

	Period ended 29 April 2016 £000	Period ended 1 May 2015 £000
On bank loans and overdrafts	9	10
Other loan interest payable	4	-
On finance leases and hire purchase contracts	18	32
	<u>31</u>	<u>42</u>

**12. Taxation**

	Period ended 29 April 2016 £000	Period ended 1 May 2015 £000
<b>Corporation tax</b>		
Current tax on profits for the year	1,349	1,047
Adjustments in respect of previous periods	(27)	(55)
	<u>1,322</u>	<u>992</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	33	55
Effect of increased tax rate on opening liability	(16)	(4)
<b>Total deferred tax</b>	<u>17</u>	<u>51</u>
<b>Taxation on profit on ordinary activities</b>	<u>1,339</u>	<u>1,043</u>



## Notes to the Financial Statements

For the Period Ended 29 April 2016

**12. Taxation (continued)****Factors affecting tax charge for the period**

The tax assessed for the period is lower than (2015 - lower than) the standard rate of corporation tax in the UK of 20% (2015 - 21%). The differences are explained below:

	Period ended 29 April 2016 £000	Period ended 1 May 2015 £000
Profit on ordinary activities before tax	7,987	5,728
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2015 - 21%)	1,597	1,203
<b>Effects of:</b>		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	6	13
Adjustments to tax charge in respect of prior periods	(27)	(55)
Adjust closing deferred tax rate to average rate	(18)	-
Other short term timing differences	42	21
Lower tax rates on overseas earnings	(261)	(139)
<b>Total tax charge for the period</b>	<b>1,339</b>	<b>1,043</b>

**Factors that may affect future tax charges**

The main rate of corporation tax will reduce from 1 April 2017 to 19% and to 18% from 1 April 2020 (a change which was substantively enacted as of 21 July 2015 as part of the Finance Bill 2015).

It has not yet been possible to quantify the full anticipated effect of the announced further 1% rate reduction, although this will further reduce the company's future current tax charge and reduce the company's deferred tax liability accordingly.

**13. Dividends**

	29 April 2016 £000	1 May 2015 £000
Dividends paid and accrued	4,000	-

# Notes to the Financial Statements

For the Period Ended 29 April 2016

## **14. 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 profit after tax of the parent Company for the period was £896,000 (2015 - £1,006,000).

## Notes to the Financial Statements

For the Period Ended 29 April 2016

**15. Tangible fixed assets**

Group

	Freehold land and buildings £000	L/Term Leasehold Property £000	Plant & machinery £000	Motor vehicles £000	Fixtures & fittings £000
<b>Cost or valuation</b>					
At 2 May 2015	7,100	123	17,591	492	1,875
Additions	26	1	1,988	11	363
Disposals	-	-	(7)	-	-
At 29 April 2016	7,126	124	19,572	503	2,238
<b>Depreciation</b>					
At 2 May 2015	2,088	99	12,712	254	1,384
Charge for the period	288	10	1,007	95	141
Disposals	-	-	(4)	-	-
At 29 April 2016	2,376	109	13,715	349	1,525
<b>Net book value</b>					
At 29 April 2016	4,750	15	5,857	154	713
At 1 May 2015	5,012	25	4,878	238	491

# Notes to the Financial Statements

For the Period Ended 29 April 2016

## 15. Tangible fixed assets (continued)

	Assets under construction £000	Total £000
<b>Cost or valuation</b>		
At 2 May 2015	-	27,181
Additions	212	2,601
Disposals	-	(7)
At 29 April 2016	212	29,775
<b>Depreciation</b>		
At 2 May 2015	-	16,537
Charge for the period	-	1,541
Disposals	-	(4)
At 29 April 2016	-	18,074
<b>Net book value</b>		
At 29 April 2016	212	11,701
At 1 May 2015	-	10,644

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

	29 April 2016 £000	1 May 2015 £000
Plant and machinery	1,106	884

# Notes to the Financial Statements

For the Period Ended 29 April 2016

## Company

	Motor vehicles £000
<b>Cost or valuation</b>	
At 2 May 2015	151
At 29 April 2016	151
<b>Depreciation</b>	
At 2 May 2015	25
Charge for the period	38
At 29 April 2016	63
At 29 April 2016	88
At 1 May 2015	126

## Group

Included in land and buildings is freehold land at valuation of £350,000 (2015: £350,000) which is not depreciated.

Included in freehold land and buildings is a property which was revalued on its transfer from a subsidiary company WHS Plastics limited (formerly WH Smith & Sons (Tools) Limited) in 1999 at open market value with existing use at £3,250,000.

If the plant and buildings had not been included at valuation they would have been included under the historical cost convention as follows:

	29 April 2016 £000	1 May 2015 £000
<b>Group</b>		
Cost	2,026	2,026
Accumulated depreciation	(1,074)	(1,040)
<b>Net book value</b>	952	986

# Notes to the Financial Statements

For the Period Ended 29 April 2016

## 16. Fixed asset investments

### Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Country of incorporation	Class of shares	Holding	Principal activity
WHS Plastics Limited	Great Britain	Ordinary	100 %	Manufacture of tools and plastic mouldings
Electron Technical Solutions Limited	Great Britain	Ordinary	90 %	Painting of moulded parts
WHS Egypt S.A.E	Egypt	Ordinary	98 %	Manufacture of plastics moulding

Electron Technical Solutions Limited is owned indirectly through another group company.

### Company

Investments  
in subsidiary  
companies  
£000

### Cost or valuation

At 2 May 2015	402
At 29 April 2016	402

### Net book value

At 29 April 2016	402
At 1 May 2015	402

## Notes to the Financial Statements

For the Period Ended 29 April 2016

**17. Investment property**

	29 April 2016 £000	1 May 2015 £000
<b>Valuation</b>		
At 1 May 2015 and 29 April 2016	7,422	7,422

The company's investment properties were valued by Darby Key Property as at 29 April 2016, using RICS guidelines based on market values.

**18. Stocks**

	Group 29 April 2016 £000	Group 1 May 2015 £000	Company 29 April 2016 £000	Company 1 May 2015 £000
Raw materials	2,887	2,554	-	-
Work in progress	3,652	3,867	-	-
Finished goods and goods for resale	1,351	1,084	-	-
	<u>7,890</u>	<u>7,505</u>	<u>-</u>	<u>-</u>

Stock recognised in cost of sales during the period as an expense was £ 36,777,755 (2015 - £ 26,042,154).

An impairment loss of £81,639 (2015 - £5,632) was recognised in cost of sales against stock during the period due to slow-moving and obsolete stock.

**19. Debtors**

	Group 29 April 2016 £000	Group 1 May 2015 £000	Company 29 April 2016 £000	Company 1 May 2015 £000
Trade debtors	11,678	9,341	-	-
Amounts owed by group undertakings	-	-	347	243
Amounts owed by directors	2	2	-	-
Other debtors	15	37	10	34
Prepayments and accrued income	419	380	-	-
Deferred tax asset	-	-	11	7
	<u>12,114</u>	<u>9,760</u>	<u>368</u>	<u>284</u>

## Notes to the Financial Statements

For the Period Ended 29 April 2016

**19. Debtors (continued)**

A reversal of impairment of £21,723 (2015: impairment charge of £39,066) was recognised in the year against trade debtors.

**20. Cash and cash equivalents**

	Group 29 April 2016 £000	Group 1 May 2015 £000	Company 29 April 2016 £000	Company 1 May 2015 £000
Cash at bank and in hand	7,755	3,007	3,583	3,840
	<u>7,755</u>	<u>3,007</u>	<u>3,583</u>	<u>3,840</u>

**21. Creditors: Amounts falling due within one year**

	Group 29 April 2016 £000	Group 1 May 2015 £000	Company 29 April 2016 £000	Company 1 May 2015 £000
Bank loans	-	82	-	-
Net obligations under finance lease and hire purchase contracts	153	269	-	-
Trade creditors	6,476	3,801	95	93
Corporation tax	690	793	134	265
Other taxation and social security	912	873	27	17
Amounts owed to directors	4	4	-	-
Dividends payable	3,000	-	3,000	-
Other creditors	499	497	-	-
Accruals and deferred income	1,731	1,466	165	153
	<u>13,465</u>	<u>7,785</u>	<u>3,421</u>	<u>528</u>

Finance lease obligations are secured against the assets to which they relate.

The group held bank loans with HSBC Bank plc which were taken out to finance equipment purchases and were fully repaid during the current period. Prior to their repayment, interest was charged on the loans at 3.10% per annum above the base rate of HSBC Bank plc. These loans were secured against the assets to which they relate.



## Notes to the Financial Statements

For the Period Ended 29 April 2016

**22. Creditors: Amounts falling due after more than one year**

	Group 29 April 2016 £000	Group 1 May 2015 £000	Company 29 April 2016 £000	Company 1 May 2015 £000
Net obligations under finance leases and hire purchase contracts	265	66	-	-

Obligations in respect of the finance leases are secured against the assets to which they relate.

**23. Hire purchase and finance leases**

Minimum lease payments under hire purchase fall due as follows:

	Group 29 April 2016 £000	Group 1 May 2015 £000
Within one year	153	269
Between 2-5 years	265	66
	<u>418</u>	<u>335</u>

**24. Financial instruments**

	Group 29 April 2016 £000	Group 1 May 2015 £000	Company 29 April 2016 £000	Company 1 May 2015 £000
<b>Financial assets</b>				
Cash and cash equivalents	7,755	3,007	3,583	3,840
Financial assets that are debt instruments measured at amortised cost	11,695	9,380	357	277
	<u>19,450</u>	<u>12,387</u>	<u>3,940</u>	<u>4,117</u>
<b>Financial liabilities</b>				
Financial liabilities measured at amortised cost	(12,128)	(6,185)	(3,260)	(246)
	<u>(12,128)</u>	<u>(6,185)</u>	<u>(3,260)</u>	<u>(246)</u>

Financial assets measured at amortised cost comprise cash, trade debtors, amounts owed by group undertakings and other debtors

Financial Liabilities measured at amortised cost comprise bank loans, bank overdrafts, trade creditors, amounts owed to group undertakings and directors, other creditors and obligations under finance leases.

## Notes to the Financial Statements

For the Period Ended 29 April 2016

**25. Deferred taxation****Group**

	Deferred tax £000
At 2 May 2015	(158)
Charged to the profit or loss	(17)
<b>At 29 April 2016</b>	<b>(175)</b>

**Company**

	Deferred tax £000
At 2 May 2015	7
Charged to the profit or loss	4
<b>At 29 April 2016</b>	<b>11</b>

The provision for deferred taxation is made up as follows:

	Group 29 April 2016 £000	Group 1 May 2015 £000	Company 29 April 2016 £000	Company 1 May 2015 £000
Accelerated capital allowances	(226)	(107)	11	6
Other timing differences	51	(51)	-	1
	<b>(175)</b>	<b>(158)</b>	<b>11</b>	<b>7</b>

## Notes to the Financial Statements

For the Period Ended 29 April 2016

### 26. Share capital

	29 April 2016 £000	1 May 2015 £000
<b>Allotted, called up and fully paid</b>		
11,111 Ordinary shares of £1 each	<u>11</u>	<u>11</u>

### 27. Reserves

#### Revaluation reserve

The revaluation reserve account represents surplus arising on the valuation of an the freehold land and buildings, net of the amount transferred to retained earnings.

#### Retained earnings

The retained earnings account represents current and prior period earnings, net of dividends.

### 28. Capital commitments

At 29 April 2016 the Group had capital commitments of £4,457k (2015: £Nil). The company had capital commitments of £Nil (2015: £Nil)

## Notes to the Financial Statements

For the Period Ended 29 April 2016

### 29. Pension commitments

The group operates a defined contribution pension scheme. The pension charge for the period represents contributions payable by the company to the scheme and amounted to £344,000 (2015: £272,000).

Contributions amounting to £33,304 (2015: £38,000) were payable to the scheme at the year end and are included in creditors.

### 30. Commitments under operating leases

At 29 April 2016 the Group had future minimum lease payments under non-cancellable operating leases as follows:

	Group 29 April 2016 £000	Group 1 May 2015 £000
Not later than 1 year	151	320
Later than 1 year and not later than 5 years	240	360
	<u>391</u>	<u>680</u>

The company had commitments under operating leases of £Nil (2015 : £Nil).

# Notes to the Financial Statements

For the Period Ended 29 April 2016

## 31. Related party transactions

### Group

The group rents a factory from C G Smith, a director of the group and majority shareholder. During the period £278,994 (2015: £244,900) was charged to the company. There are no outstanding amounts owed at the period end (2015: £Nil).

The group rents additional storage space in a property owned by WH Smith & Sons (Tools) Limited Retirement Benefit Scheme. During the period £120,000 (2015: £120,000) was paid. C G Smith is a beneficiary of this fund. There are no outstanding amounts owed at the period end (2015: £Nil).

The group has traded with Tame Construction Limited, a company in which C G Smith is a director and majority shareholder. Transactions with this related party included purchase of services of £478,410 (2015: £108,910) and a recharge of costs incurred by the company on behalf of Tame Construction Limited of £3,391 (2015: £16,324). Included in trade creditors is an amount of £185 (2015: £15,537) owing to Tame Construction at the year end.

Included in amounts owed to directors is an amount owed to C G Smith of £3,647 (2015: £3,647), and included in amounts owed by directors is an amount owed by F H Smith of £1,778 (2015: £1,778).

Total key management personnel compensation in the year was £709,414 (2015: £629,749).

### Company

The company has traded with Electron Technical Solutions Limited, which is 90% owned by WHS Plastics Limited. During the period WH Smith & Sons Holdings Limited has received £232,422 (2015: £179,591) in recharges of costs and £Nil (2015: £564) of interest from Electron Technical Solutions Limited. Included in amounts owed by the group undertakings is an amount owed by Electron Technical Solutions of £11,241 (2015: £10,758).

The company owns 98% of WHS Plastics Egypt S.A.E. During the period WH Smith & Sons Holdings Limited has received £Nil (2015: £126,264) in recharges of costs and £44 (2015: £1,178) of interest from WHS Plastics Egypt S.A.E. Included in the amounts owed by group undertakings is an amount owed by WHS Plastics Egypt S.A.E. of £63,985 (2015: £67,537).

Dividends totalling £4m were paid to C G Smith and the other shareholders.

All balances and transactions between group companies have been fully eliminated in the consolidated results of the group.

# Notes to the Financial Statements

For the Period Ended 29 April 2016

## **32. Controlling party**

The ultimate controlling party of the company is C G Smith, a director and majority shareholder.

## Notes to the Financial Statements

For the Period Ended 29 April 2016

**33. Transition to FRS 102**

The Group and Company transitioned to FRS 102 from previously extant UK GAAP as at 3 May 2014. The impact of the transition to FRS 102 is as follows:

**Reconciliation of equity at 3 May 2014**

	Group £000	Company £000
Equity at 3 May 2014 under previous UK GAAP	18,222	7,595
1. Investment property adjustment	-	2,945
<b>Equity shareholders funds at 3 May 2014 under FRS 102</b>	<b>18,222</b>	<b>10,540</b>

**Reconciliation of equity at 1 May 2015**

	Group £000	Company £000
Equity at 1 May 2015 under previous UK GAAP	22,907	8,496
1. Investment property adjustment	-	3,050
<b>Equity shareholders funds at 1 May 2015 under FRS 102</b>	<b>22,907</b>	<b>11,546</b>

**Reconciliation of profit and loss account for the year ended 1 May 2015**

	Group £000	Company £000
Profit for the year under UK GAAP	4,685	901
1. Investment property adjustment	-	105
<b>Profit for the period ended 1 May 2015 under FRS 102</b>	<b>4,685</b>	<b>1,006</b>

The following were changes in accounting policies arising from the transition to FRS 102:

- 1 On transition to FRS 102, the land and buildings held by W H Smith & Sons Holdings Limited that are leased to other group companies have been reclassified as an investment property in the company balance sheet. Previously the land and buildings had been accounted for as fixed assets due to the exemption from investment property accounting available under old UK GAAP for assets leased to other group companies. This exemption is not available under FRS 102.

As per note 17, the company's investment properties were valued by Darby Key Property as at 29 April 2016, using RICS guidelines based on market values. The directors performed a valuation of the investment properties at 3 May 2014 and 1 May 2015 and determined there had been no material change of the market value of the property to the value in the current year.

As a result of the reclassification the land and buildings held in the W H Smith & Sons Holdings Limited company balance sheet has accounted for at fair value and the depreciation charged on land and buildings in the period ended 1 May 2015 of £105k reversed.

# Notes to the Financial Statements

For the Period Ended 29 April 2016

## **33. Transition to FRS 102 (continued)**

There has been no further impact of the transition on equity or profit and loss.

On transition to FRS 102 the directors have reassessed the apportionment of wages and salaries costs between cost of sales and administrative expenses resulting in an increase in cost of sales of £1,252,000 in the period ended 1 May 2015 and a corresponding decrease in administrative expenses.