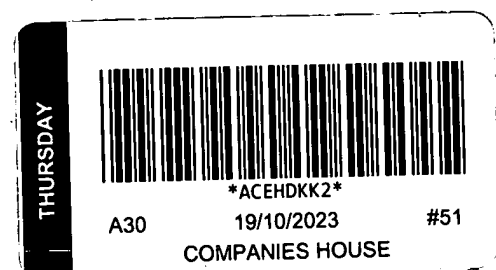


Ann's Cottage Surf Shop (Wadebridge) Limited
Financial Statements
31 January 2023



Ann's Cottage Surf Shop (Wadebridge) Limited

Financial Statements

Year ended 31 January 2023

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Ann's Cottage Surf Shop (Wadebridge) Limited

Strategic Report

Year ended 31 January 2023

The directors present their Strategic Report for the year ended 31st January 2023.

Principal activities and business model

The principal activity of the Company is the retail of surf, fashion and lifestyle clothing and hardware via retail stores and website sales.

The main customer base is local customers and tourists engaging in surfing activity, together with the provision of branded clothing, hardware and accessories to provide everything needed to enjoy the surf and beach lifestyle both in and out of the water.

In order to purchase stock in greater quantities for cost efficiency the Company uses a central stock warehouse for stock ordering, and fulfilment of orders.

The Company has eight shops in towns and beach locations throughout Cornwall.

The Company also operates an industrial site outlet, offering extended opening hours to cater for customers unable to shop in working hours.

The business' objectives include continued growth of online sales, enhancing customer experience in both environments, continuing to offer appropriate products to meet changing customer demands, and continued development and retention of employees.

Business review

The previous two accounting periods showed exceptional sales, boosted by increased website sales during the COVID 19 pandemic, and by increased tourist footfall in Cornwall whilst overseas travel was restricted.

The year ended 31st January 2023 continued to show increased sales (compared with pre-pandemic levels) although these reduced a little as website sales settled down, and individuals could now travel freely overseas.

Turnover in the year was £11,277,422, a reduction of 7.5% on the 2022 turnover of £12,186,653. The 2023 turnover remained 50% greater than the pre pandemic results with turnover in the year ended January 2020 being £7,496,033.

The gross profit margin of 37.8% was increased compared to the margin of 35% in 2022, and remains in line with the margin of 37.9% in 2020, despite the ongoing cost pressures.

The company continued to experience increased stock prices during the year. There has been pressure on stock availability since the COVID-19 period as a result of exceptional demand for products. In addition, green strategies implemented by the manufacture and shipping companies led to longer transport times and less availability of ships, resulting in increased prices.

The retail shops have been able to open all year, with no lockdown restrictions, and this has contributed to the turnover and profitability levels in the year, although wage costs have increased accordingly from £1,515,823 in 2022 to £1,756,572 in 2023.

Stock levels have peaked in 2023, following orders placed during the COVID period, and future stock purchasing is expected to reduce. The Directors continue to place orders in line with their strategic objective of forward planning orders in line with anticipated demand and expected fashions trends.

Ann's Cottage Surf Shop (Wadebridge) Limited

Strategic Report *(continued)*

Year ended 31 January 2023

Administration expenses increased to £3,733,057 in 2023, compared to £3,459,028 in 2022. This includes the full employee salaries as the furlough scheme has now ceased. The phasing out of business rates relief has contributed to an increase in rates costs of £150,878 in 2023, and the company recorded a 51.6% increase in light and heat costs in the 2023 year compared to 2022.

The net profit before tax for the year is £479,178 (2022 £1,083,759).

The cash balances at the year-end were £2,652,632 (2022 £3,341,064).

Stock increased to £1,201,757 in 2023 (2022 £1,020,917).

Net assets at the year-end were £2,426,752 (2022 £2,065,508).

Principal risks and uncertainties

The Directors are responsible for identifying significant risks to the business and for ensuring that appropriate risk management policies are in place to enable the Company to achieve its strategic objectives.

The principal risk to the business is a reduction in customer demand, leading to a reduction in business growth. The risk of competitors taking more market share and unseasonable weather patterns can also have an impact on business sales.

To mitigate this risk, the Company completes ongoing marketing strategies, including updating the website for ease of use, and refreshing shop windows to maintain appeal for customers. The Directors monitor fashion trends to ensure that the stock which is most in demand is supplied, and to ensure that all key brands such as Vans, Quiksilver and Ripcurl are offered by the business. Prices continue to be reviewed to maintain the balance between competitive customer prices and business profitability. The sales of these products are supported through bespoke marketing and promotional activities.

Another key risk is the security of product supply as the Company is heavily dependent on products supplied from overseas, and the cost and supply challenges post COVID have been noted in the business review. To mitigate this risk the Company continues to purchase stock in larger volumes through centralised warehouse purchasing.

A further challenge for local businesses is the availability and retention of employees for staffing of the retail outlets and offices. The business offers fair wage rates, employee benefits and good working conditions to retain employees.

Future developments

The Directors believe the prospects for the Company continue to be strong in the coming year with work focused on analysis projects to improve sales strategy and customer experiences.

A task to analyse sales by store has recently been completed, paying particular attention to sales outside of normal trading hours. The Directors will now review opening hours in selected stores to more efficiently support customer demand, and utilise staff resources in the optimal way.

The Company will also implement a new customer loyalty program, offering unique member promotions, and developing key categories within the business.

Resources have been allocated to website maintenance to ensure the most up to date customer experience, and enabling the Company to remarket existing customers and improve the reach for new customer acquisition.

Ann's Cottage Surf Shop (Wadebridge) Limited

Strategic Report *(continued)*

Year ended 31 January 2023

This report was approved by the board of directors on 18 October 2023 and signed on behalf of the board by:



Mrs E C Doney
Director

Registered office:
Unit 4 Higher Pityme Farm
Pityme Business Centre
St Minver
Wadebridge
Cornwall
PL27 6NU

Ann's Cottage Surf Shop (Wadebridge) Limited

Directors' Report

Year ended 31 January 2023

The directors present their report and the financial statements of the company for the year ended 31 January 2023.

Directors

The directors who served the company during the year were as follows:

Ms A Dutton
Mr A Nuttall
Ms A Wakeling
Mrs R Cornelius
Mrs E C Doney
Mr L Fox

(Appointed 1 March 2022)

Dividends

The directors do not recommend the payment of a dividend.

Going concern

The financial statements have been prepared on a going concern basis, which the Directors consider to be appropriate for the following reasons:

- The Directors have considered the consequences of post COVID-19 price increases and other events and conditions as outlined in the strategic report, and it has determined that they do not create a material uncertainty that casts significant doubt upon the entity's ability to continue as a going concern.
- Sales have remained above pre COVID-19 levels and the company is still profitable despite cost increases.
- The Directors regularly monitor sales levels, fashion trends, stock levels and cash balances in order to provide comfort in relation to ongoing expenses.

Consequently, the Directors are confident that the Company has adequate resources to remain in operational existence for at least 12 months from the date of approval of the financial statements, and have therefore prepared the financial statements on a going concern basis.

Disclosure of information in the strategic report

A fair review of the business and likely future developments are set out in the Strategic Report, which further includes details of the principal risks and uncertainties facing the Company and the strategies to address these risks.

Directors' responsibilities statement

The directors are responsible for preparing the strategic report, 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the profit or loss of the company for that period.

Ann's Cottage Surf Shop (Wadebridge) Limited

Directors' Report *(continued)*

Year ended 31 January 2023

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent.

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 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 hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditor

Each of the persons who is a director at the date of approval of this report confirms that:

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

This report was approved by the board of directors on 18 October 2023 and signed on behalf of the board by:



Mrs E C Doney
Director

Registered office:
Unit 4 Higher Pityme Farm
Pityme Business Centre
St Minver
Wadebridge
Cornwall
PL27 6NU

Ann's Cottage Surf Shop (Wadebridge) Limited

Independent Auditor's Report to the Members of Ann's Cottage Surf Shop (Wadebridge) Limited

Year ended 31 January 2023

Qualified opinion

We have audited the financial statements of Ann's Cottage Surf Shop (Wadebridge) Limited for the period ended 31 January 2023 including, balance sheet, profit and loss account, cash flow statement, strategic report, directors report and significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, except for the possible effects of the matter described in the basis for qualified opinion section of our audit report, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 January 2023 and of its 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.

Basis for qualified opinion

We were not appointed as auditor of the company until after 31 January 2023 and thus did not observe the counting of physical inventories at the end of the year. We were unable to satisfy ourselves by alternative means concerning the inventory quantities held at 31 January 2023, which are included in the balance sheet at £1,201,757, by using other audit procedures. Consequently, we were unable to determine whether any adjustment to this amount was necessary. In addition, were any adjustment to the inventory balance to be required, the strategic report would also need to be amended.

We have however throughout the course of the audit sought to establish the reliability of the controls surrounding the inventory system to give us a greater level of comfort over the inventory balance as at 31 January 2023. There were no significant control deficiencies to note. Audit procedures that we conducted included:

- Performing a walk-through test to follow through an item of inventory from initial purchase to subsequent sale;
- Producing a flow chart on the controls and processes surrounding the inventory system;
- Conducting a stock count at the date of fieldwork to agree quantities to the detailed inventory report at that date; and
- Testing a sample of invoices to agree the value of the inventory items stated in the detailed inventory report at the date of fieldwork.

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 qualified opinion.

Ann's Cottage Surf Shop (Wadebridge) Limited

Independent Auditor's Report to the Members of Ann's Cottage Surf Shop (Wadebridge) Limited *(continued)*

Year ended 31 January 2023

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Board of director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the original financial statements were authorised for issue.

Our responsibilities and the responsibilities of the Board with respect to going concern are described in the relevant sections of this report.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. 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.

As described in the basis for qualified opinion section of our report, we were unable to satisfy ourselves concerning the inventory quantities of £1,201,757 held at 31 January 2023. We have concluded that where the other information refers to the inventory balance or related balances such as cost of sales, it may be materially misstated for the same reason.

Opinions on other matters prescribed by the Companies Act 2006

Except for the possible effects of the matter described in the basis for qualified opinion section of our report, in our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

Except for the matter described in the basis for qualified opinion section of our report, in the light of our knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the financial statements.

Ann's Cottage Surf Shop (Wadebridge) Limited

Independent Auditor's Report to the Members of Ann's Cottage Surf Shop (Wadebridge) Limited *(continued)*

Year ended 31 January 2023

Arising solely from the limitation on the scope of our work relating to inventory, referred to above:

- we have not obtained all the information and explanations that we considered necessary for the purpose of our audit; and
- we were unable to determine whether adequate accounting records have been kept.

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:

- 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 directors' remuneration specified by law are not made;

Responsibilities of directors

As explained more fully in the set out 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, and for such internal control as the directors determine 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 directors are 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 directors either intend to liquidate the company or to cease operations, or have 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

As part of our audit planning we obtained an understanding of the legal and regulatory framework that is applicable to the entity and industry/sector in which it operates to identify the key laws and regulations affecting the entity. As part of this assessment process we have identified key laws and regulations of the entity and investigated whether any of these have breached in the year.

The key laws and regulations we identified were:

- Health and Safety Regulations including
- The General Data Protection Regulation ("GDPR")
- Employer's Liability (Compulsory Insurance) Act 1969

Ann's Cottage Surf Shop (Wadebridge) Limited

Independent Auditor's Report to the Members of Ann's Cottage Surf Shop (Wadebridge) Limited *(continued)*

Year ended 31 January 2023

We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006:

We discussed with management how the compliance of these laws and regulations is monitored and discussed policies and procedures in place. We also identified the individuals who have responsibility for ensuring that the entity complies with laws and regulations and deals with reporting any issues if they arise.

As part of our planning procedures, we assessed the risk of any non-compliance with laws and regulations. Our procedures involved the following:

- Enquiries of management and those charged with governance regarding their knowledge of any non-compliance with laws and regulations that could affect the financial statements;
- Reviewed legal and professional costs to identify any possible non-compliance or legal costs in respect of any potential non-compliance; and
- Obtained copies of documentation proving compliance with relevant laws and regulations where possible.

We assessed the susceptibility of the financial statements to material misstatement through management override or fraud and obtained an understanding of the controls in place to mitigate the risk of fraud. We also discussed with management whether there had been any instances of known or alleged fraud. Based upon our understanding we designed and conducted audit procedures including:

- Auditing the risk of management override of controls, including through testing journal entries and other adjustments for appropriateness, and evaluating the business rationale of significant transactions outside the normal course of business.
- Reviewing estimates and judgements made in the accounts for any indication of bias and challenged assumptions used by management in making the estimates.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements. This risk increases the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements as we are less likely to become aware of instances of non-compliance. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment, collusion, omission or misrepresentation.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Ann's Cottage Surf Shop (Wadebridge) Limited

Independent Auditor's Report to the Members of Ann's Cottage Surf Shop (Wadebridge) Limited *(continued)*

Year ended 31 January 2023

Use of our report

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.



Thomas Roach BSc FCA (Senior Statutory Auditor)

For and on behalf of
PKF Francis Clark
Chartered accountants & statutory auditor
Lowin House
Tregolls Road
Truro
Cornwall
TR1 2NA

18 October 2023

Ann's Cottage Surf Shop (Wadebridge) Limited

Statement of Income and Retained Earnings

Year ended 31 January 2023

| | Note | 2023 £ | Unaudited 2022 £ |
|---|-----------|-------------------------|------------------------|
| Turnover | 4 | 11,277,422 | 12,186,653 |
| Cost of sales | | <u>7,012,354</u> | <u>7,897,204</u> |
| Gross profit | | 4,265,068 | 4,289,449 |
| Administrative expenses | | <u>3,733,057</u> | 3,459,028 |
| Other operating income | 5 | <u>—</u> | 279,964 |
| Operating profit | 6 | 532,011 | 1,110,385 |
| Other interest receivable and similar income | 10 | <u>951</u> | 100 |
| Interest payable and similar expenses | 11 | <u>53,784</u> | 26,726 |
| Profit before taxation | | 479,178 | 1,083,759 |
| Tax on profit | 12 | <u>117,934</u> | 228,423 |
| Profit for the financial year and total comprehensive income | | <u>361,244</u> | <u>855,336</u> |
| Retained earnings at the start of the year | | 2,065,506 | 1,210,170 |
| Retained earnings at the end of the year | | <u>2,426,750</u> | <u>2,065,506</u> |

All the activities of the company are from continuing operations.

The notes on pages 14 to 21 form part of these financial statements.

Ann's Cottage Surf Shop (Wadebridge) Limited

Statement of Financial Position

31 January 2023

| | Note | 2023 £ | 2022 £ |
|---|------|------------------|------------------|
| Fixed assets | | | |
| Tangible assets | 13 | 295,477 | 443,646 |
| Current assets | | | |
| Stocks | 14 | 1,201,757 | 1,020,917 |
| Debtors | 15 | 94,383 | 55,797 |
| Cash at bank and in hand | | 2,652,632 | 3,341,064 |
| | | <u>3,948,772</u> | <u>4,417,778</u> |
| Creditors: amounts falling due within one year | 17 | <u>1,817,497</u> | <u>2,795,916</u> |
| Net current assets | | <u>2,131,275</u> | <u>1,621,862</u> |
| Total assets less current liabilities | | <u>2,426,752</u> | <u>2,065,508</u> |
| Net assets | | <u>2,426,752</u> | <u>2,065,508</u> |
| Capital and reserves | | | |
| Called up share capital | 19 | 2 | 2 |
| Profit and loss account | | <u>2,426,750</u> | <u>2,065,506</u> |
| Shareholders funds | | <u>2,426,752</u> | <u>2,065,508</u> |

These financial statements were approved by the board of directors and authorised for issue on 18 October 2023, and are signed on behalf of the board by:



Mrs E C Doney
Director

Company registration number: 04768926

The notes on pages 14 to 21 form part of these financial statements.

Ann's Cottage Surf Shop (Wadebridge) Limited

Statement of Cash Flows

Year ended 31 January 2023

| | Note | 2023 £ | 2022 £ |
|---|------|-----------|-----------|
| Cash flows from operating activities | | | |
| Profit for the financial year | | 361,244 | 855,336 |
| <i>Adjustments for:</i> | | | |
| Depreciation of tangible assets | | 137,092 | 138,779 |
| Other interest receivable and similar income | | (951) | (100) |
| Interest payable and similar expenses | | 53,784 | 26,726 |
| Loss on disposal of tangible assets | | 22,038 | — |
| Tax on profit | | 117,934 | 228,423 |
| Accrued expenses/(income) | | 6,580 | (20,646) |
| <i>Changes in:</i> | | | |
| Stocks | | (180,840) | (188,874) |
| Trade and other debtors | | (38,586) | 53,812 |
| Trade and other creditors | | (449,112) | 115,507 |
| Cash generated from operations | | 29,183 | 1,208,963 |
| Interest paid | | (53,784) | (26,726) |
| Interest received | | 951 | 100 |
| Tax paid | | (228,422) | (114,142) |
| Net cash (used in)/from operating activities | | (252,072) | 1,068,195 |
| Cash flows from investing activities | | | |
| Purchase of tangible assets | | (10,960) | (12,542) |
| Proceeds from sale of tangible assets | | (1) | — |
| Net cash used in investing activities | | (10,961) | (12,542) |
| Cash flows from financing activities | | | |
| Proceeds from borrowings | | (820) | (563) |
| Proceeds from loans from group undertakings | | (345,526) | 429,819 |
| Net cash (used in)/from financing activities | | (346,346) | 429,256 |
| Net (decrease)/increase in cash and cash equivalents | | (609,379) | 1,484,909 |
| Cash and cash equivalents at beginning of year | | 3,262,011 | 1,777,102 |
| Cash and cash equivalents at end of year | 16 | 2,652,632 | 3,262,011 |

The notes on pages 14 to 21 form part of these financial statements.

Ann's Cottage Surf Shop (Wadebridge) Limited

Notes to the Financial Statements

Year ended 31 January 2023

1. General information

The company is a private company limited by shares, registered in England. The address of the registered office is Unit 4 Higher Pityme Farm, Pityme Business Centre, St Minver, Wadebridge, Cornwall, PL27 6NU.

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 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 statements are prepared in sterling, which is the functional currency of the entity.

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.

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.

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.

Ann's Cottage Surf Shop (Wadebridge) Limited

Notes to the Financial Statements *(continued)*

Year ended 31 January 2023

3. Accounting policies *(continued)*

Tangible assets *(continued)*

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.

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:

| | | |
|------------------------|---|--------------------------------|
| Leasehold Improvements | - | Straight line over 10-15 years |
| Fixtures and fittings | - | 20% straight line |
| Equipment | - | 20% straight line |

Leased assets are depreciated over the term of the lease except where there is an expectation that the lease will continue.

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. Weighted average cost is used for stock valuation.

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.

Ann's Cottage Surf Shop (Wadebridge) Limited

Notes to the Financial Statements *(continued)*

Year ended 31 January 2023

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 pension scheme

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:

| | 2023 | Unaudited 2022 |
|---------------|-------------------|-------------------|
| | £ | £ |
| Sale of goods | <u>11,277,422</u> | <u>12,186,653</u> |

Ann's Cottage Surf Shop (Wadebridge) Limited

Notes to the Financial Statements *(continued)*

Year ended 31 January 2023

4. Turnover *(continued)*

The whole of the turnover is attributable to the principal activity of the company wholly undertaken in the United Kingdom.

5. Other operating income

| | 2023 | Unaudited 2022 |
|------------------------|----------|-------------------|
| | £ | £ |
| Other operating income | <u>—</u> | <u>279,964</u> |

6. Operating profit

Operating profit or loss is stated after charging:

| | 2023 | Unaudited 2022 |
|-------------------------------------|---------------|-------------------|
| | £ | £ |
| Depreciation of tangible assets | 137,093 | 138,778 |
| Loss on disposal of tangible assets | <u>22,038</u> | <u>—</u> |

7. Auditor's remuneration

| | 2023 | Unaudited 2022 |
|--|---------------|-------------------|
| | £ | £ |
| Fees payable for the audit of the financial statements | <u>10,500</u> | <u>—</u> |

8. Staff costs

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

| | 2023 No. | 2022 No. |
|----------------------|-------------|-------------|
| Administrative staff | <u>109</u> | <u>109</u> |

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

| | 2023 | Unaudited 2022 |
|-----------------------|------------------|-------------------|
| | £ | £ |
| Wages and salaries | 1,649,623 | 1,438,516 |
| Social security costs | 106,949 | 77,307 |
| Other pension costs | 25,033 | 18,973 |
| | <u>1,781,605</u> | <u>1,534,796</u> |

Ann's Cottage Surf Shop (Wadebridge) Limited

Notes to the Financial Statements *(continued)*

Year ended 31 January 2023

9. Directors' remuneration

The directors' aggregate remuneration in respect of qualifying services was:

| | 2023 | Unaudited 2022 |
|--------------|---------------|-------------------|
| | £ | £ |
| Remuneration | <u>60,000</u> | <u>–</u> |

Two of the company directors are paid via a sister company, and management charges are paid across to that company towards the wages expense.

10. Other interest receivable and similar income

| | 2023 | Unaudited 2022 |
|---------------------------------------|------------|-------------------|
| | £ | £ |
| Interest on cash and cash equivalents | <u>951</u> | <u>100</u> |

11. Interest payable and similar expenses

| | 2023 | Unaudited 2022 |
|--|---------------|-------------------|
| | £ | £ |
| Interest on banks loans and overdrafts | <u>53,784</u> | <u>26,726</u> |

12. Tax on profit

Major components of tax expense

| | 2023 | Unaudited 2022 |
|------------------------|----------------|-------------------|
| | £ | £ |
| Current tax: | | |
| UK current tax expense | <u>117,934</u> | <u>228,423</u> |
| Tax on profit | <u>117,934</u> | <u>228,423</u> |

Reconciliation of tax expense

The tax assessed on the profit on ordinary activities for the year is higher than (2022: higher than) the standard rate of corporation tax in the UK of 19% (2022: 19%).

| | 2023 | Unaudited 2022 |
|--|----------------|-------------------|
| | £ | £ |
| Profit on ordinary activities before taxation | <u>479,178</u> | <u>1,083,759</u> |
| Profit on ordinary activities by rate of tax | <u>91,044</u> | <u>205,914</u> |
| Effect of expenses not deductible for tax purposes | <u>4,187</u> | <u>–</u> |
| Effect of capital allowances and depreciation | <u>22,703</u> | <u>22,509</u> |
| Tax on profit | <u>117,934</u> | <u>228,423</u> |

Ann's Cottage Surf Shop (Wadebridge) Limited

Notes to the Financial Statements (continued)

Year ended 31 January 2023

13. Tangible assets

| | Short Leasehold Properties £ | Fixtures and fittings £ | Equipment £ | Total £ |
|---------------------------|---------------------------------------|-------------------------------|----------------|------------------|
| Cost | | | | |
| At 1 February 2022 | 1,010,904 | 619,601 | 308,124 | 1,938,629 |
| Additions | — | 753 | 10,207 | 10,960 |
| Disposals | (165,659) | (46,663) | (156,621) | (368,943) |
| At 31 January 2023 | 845,245 | 573,691 | 161,710 | 1,580,646 |
| Depreciation | | | | |
| At 1 February 2022 | 676,135 | 547,410 | 271,438 | 1,494,983 |
| Charge for the year | 67,427 | 47,689 | 21,976 | 137,092 |
| Disposals | (143,621) | (46,663) | (156,622) | (346,906) |
| At 31 January 2023 | 599,941 | 548,436 | 136,792 | 1,285,169 |
| Carrying amount | | | | |
| At 31 January 2023 | 245,304 | 25,255 | 24,918 | 295,477 |
| At 31 January 2022 | 334,769 | 72,191 | 36,686 | 443,646 |

14. Stocks

| | 2023 £ | 2022 £ |
|-------------------------------|------------------|------------------|
| Raw materials and consumables | 1,201,757 | 1,020,917 |

15. Debtors

| | 2023 £ | 2022 £ |
|--------------------------------|---------------|---------------|
| Trade debtors | 730 | 1,632 |
| Prepayments and accrued income | 93,653 | 47,851 |
| Other debtors | — | 6,314 |
| | 94,383 | 55,797 |

16. Cash and cash equivalents

Cash and cash equivalents comprise the following:

| | 2023 £ | 2022 £ |
|--------------------------|------------------|------------------|
| Cash at bank and in hand | 2,652,632 | 3,341,064 |
| Bank overdrafts | — | (79,053) |
| | 2,652,632 | 3,262,011 |

Ann's Cottage Surf Shop (Wadebridge) Limited

Notes to the Financial Statements (continued)

Year ended 31 January 2023

17. Creditors: amounts falling due within one year

| | 2023 | 2022 |
|------------------------------------|------------------|------------------|
| | £ | £ |
| Bank loans and overdrafts | – | 79,053 |
| Trade creditors | 98,080 | 62,370 |
| Amounts owed to group undertakings | 1,143,717 | 1,489,243 |
| Accruals and deferred income | 23,128 | 16,548 |
| Corporation tax | 117,935 | 228,423 |
| Social security and other taxes | 356,134 | 418,860 |
| Director loan accounts | 599 | 1,419 |
| Other creditors | 77,904 | 500,000 |
| | <u>1,817,497</u> | <u>2,795,916</u> |

18. Employee benefits

Defined contribution plans

The amount recognised in profit or loss as an expense in relation to defined contribution plans was £25,033 (2022: £18,973).

The pension creditor at 31st January 2023 is £5,198 (2022 £3,170).

19. Called up share capital

Issued, called up and fully paid

| | 2023 | | 2022 | |
|----------------------------|----------|----------|----------|----------|
| | No. | £ | No. | £ |
| Ordinary shares of £1 each | <u>2</u> | <u>2</u> | <u>2</u> | <u>2</u> |

20. Analysis of changes in net debt

| | At 1 Feb 2022 | Cash flows | At 31 Jan 2023 |
|--------------------------|------------------|------------------|-------------------|
| | £ | £ | £ |
| Cash at bank and in hand | 3,341,064 | (688,432) | 2,652,632 |
| Bank overdrafts | (79,053) | 79,053 | – |
| Debt due within one year | (1,490,662) | 346,346 | (1,144,316) |
| | <u>1,771,349</u> | <u>(263,033)</u> | <u>1,508,316</u> |

21. Operating leases

The total future minimum lease payments under non-cancellable operating leases are as follows:

| | 2023 | 2022 |
|--|------------------|------------------|
| | £ | £ |
| Not later than 1 year | 424,909 | 480,784 |
| Later than 1 year and not later than 5 years | 666,532 | 822,532 |
| Later than 5 years | 147,103 | 287,111 |
| | <u>1,238,544</u> | <u>1,590,427</u> |

Ann's Cottage Surf Shop (Wadebridge) Limited

Notes to the Financial Statements *(continued)*

Year ended 31 January 2023

22. Related party transactions

Transactions with associates

Ann's Cottage Surf Shop (Wadebridge) Limited has transactions with associated companies.

During the year the company purchased stock of £6,894,165 (2022 - £7,685,250) from an associate. Management charges of £15,500 (2022 - £15,500) were also charged by the associated company during the year. At the balance sheet date, the amount owed to the associated company was £1,143,717 (2022 - £1,456,549).

There were further transactions with other associated companies during the year of £164 (2022 - £1,544).

Transactions with directors

The net movement in the directors loan account during the year was a decrease of £820. The balance due to the director at the year end was £599 (2022 £1,419). The loan is non interest bearing and repayable on demand.

Management charges of £35,000 (2022 - £35,000) were payable to a director in the year.

Summary of transactions with other related parties

During the year the company entered into the following transactions with related parties.

Consultancy services were provided by another related party to the value of £181,140 (2022 - £110,425).

The company is a lessee of one of its sites from a pension scheme owned by R Cornelius and E Doney. During the year rents of £57,651 (2022 - £47,500) were paid to the scheme.

Ann's Cottage Surf Shop (Wadebridge) Limited

Management Information

Year ended 31 January 2023

The following pages do not form part of the financial statements.