

BETTERBATHROOMS (UK) LIMITED

Annual report and Consolidated financial statements

31 March 2016



BETTERBATHROOMS (UK) LIMITED

Table of Contents

	Page
Corporate information	2
Strategic report	3
Directors' report	5
Directors' responsibilities statements	7
Independent auditor's report	8
Consolidated statement of comprehensive income	10
Consolidated statement of financial position	11
Parent company statement of financial position	12
Consolidated statement of changes in equity	13
Consolidated statement of cash flows	14
Notes to the consolidated financial statements	15

BETTERBATHROOMS (UK) LIMITED

Corporate information

Directors

C Stevens
P Stevens
L Ellis
B Barker

Secretary

Mrs P Hart

Auditors

Ernst & Young LLP
100 Barbirolli Square
Manchester,
M2 3EY

Bankers

Barclays Plc
PO Box 357
51 Mosley Street
Manchester
M60 2AU

Solicitors

Brabners LLP
7-8 Chapel Street
Preston
PR1 8AN

Registered office

Horizon Park
Greenfold Way
Leigh
Lancashire
WN7 3XH

BETTERBATHROOMS (UK) LIMITED

Strategic report

The directors present their annual report for the year ended 31 March 2016.

Principal activities

The principal activity of the Group is that of a multi-channel retailer of bathroom, tile and lighting products to the public and trade.

Review of the business

The company offers an extensive range of competitively priced, high quality bathroom, tile and lighting products to the public and trade through our award-winning websites, trade counters and expanding estate of destination showrooms.

The loss for the year, after taxation, amounted to £351,551 (2015: £4,830 loss). The directors recommend an ordinary dividend of £4.76 (2015: £10.76) per ordinary share and an A ordinary share dividend of £8.65 (2015: £5.77) per A ordinary share amounting, in total, to £684,085 (2015: £1,069,803) for the year.

The key performance indicators that management use to monitor performance are as follows:

	Year ended 31 March 2016	Year ended 31 March 2015
Revenue (excluding rental income)	£59,004,604	£49,544,969
Revenue growth	19%	32%
Loss for the financial year	£(351,551)	£(4,830)

At 31 March 2016, the company had invested in the opening of a further four showrooms, making ten showrooms, two trade counters and two distribution centres in total across the UK.

The company has enjoyed another year of strong trading, increasing turnover by 19% to £59.0m (2015 £49.5m).

Gross margins have improved in the year by 0.6%, to 49.0% (2015: 48.4%), although as expected, continued investment in people, processes and infrastructure have impacted overall profitability in the year.

During the year, the Group transitioned from previously extant UK GAAP to IFRS and has taken advantage of the exemptions allowed under this standard. Transition adjustments arising on the adoption of IFRS are included in note 27 to these financial statements.

Principal risks and uncertainties

The Group's principal financial instruments comprise cash and cash equivalents and forward contracts. Other financial assets and liabilities, such as trade receivables, trade payables and Group balances, arise directly from the Group's operating activities.

The Group is subject to a number of risks and uncertainties.

Its business model is based on it being able to generate revenue from selling its products to consumers and therefore the Group is dependent, to some extent, on the general economic environment and consumer confidence levels.

The Directors believe that the Group's pricing strategy mitigates this risk to a certain degree.

The Group operates in a sector which is extremely competitive, with increasingly sophisticated consumers demanding choice, value and excellent customer service. To mitigate this, there is quality assurance processes in place and the business actively seeks customer feedback and reviews to maintain and improve customer satisfaction levels.

The main risks associated with the Group's financial assets and liabilities are set out below.

BETTERBATHROOMS (UK) LIMITED

Strategic report (continued)

Principal risks and uncertainties (continued)

Business performance risk

Business performance risk is the risk that the Group may not perform as expected either due to internal factors or due to competitive pressures in the markets in which they operate. This risk is managed through a number of measures: authorisation of purchases and capital requirement; ensuring the appropriate management team is in place; budget and business planning; monthly reporting and variance analysis; financial controls; key performance indicators; and regular forecasting.

Business continuity risk

While there is a reliance on physical infrastructure, the Group operates from a number of geographically separate facilities which helps the Group to minimise the business continuity risk. The Group ensures that there is sufficient IT support available should an unforeseen event occur. Management are continually implementing and reviewing business continuity and IT disaster recovery plans to ensure any increase in risk arising from future activities is managed.

Management development

Long-term growth of the business depends on the Group's ability to retain and attract personnel of high quality. This risk is managed through development plans which are regularly reviewed and updated. These are accompanied by specific policies in areas such as training, management development and performance management.

Financial and business control

Financial and business controls are necessary to ensure the integrity and reliability of financial and other information on which the Group relies for day-to-day operations, external reporting and for longer term planning. The Group exercises financial and business control through a combination of: qualified and experienced financial personnel; performance analysis; budgeting and cash flow forecasting; and clearly defined approval limits.

Social, ethical and environmental risk

The Group has a range of insurances to manage major risks such as business continuity disruption; public liability; property disaster; employee and public liability. Management are periodically advised by insurance professionals on the adequacy of cover.

Foreign currency risk

The Group generate certain revenue and incur certain operating costs in foreign currencies which give rise to foreign exchange risk. The Group closely monitor and ensure that the net foreign exchange exposure is maintained at an acceptable level by buying or selling foreign currency forward contracts to address short-term imbalances. The Group does not engage in any other hedging activities because the costs outweigh the benefits of entering into such hedging activities. It is the Group's policy not to trade in any derivative contracts.

Liquidity risk

The Group's liquidity risk is managed centrally through daily assessment of required cash levels and resultant utilisation of various available facilities including overdrafts and corporate funding. The directors consider that this is a vital area of management and monitor on a regular basis through review of daily bank balances and liaison with Betterbathrooms Group financial management as necessary.

Interest rate risk

The directors do not believe that the Group has significant exposures arising from interest rate risks.

By order of the board



L. Ellis
Director
22-12-2016

BETTERBATHROOMS (UK) LIMITED

Directors' report for the year ended 31 March 2016

Registration no.: 4986428

Directors of the company

The current directors are shown on page 2.

P Gilbert and D Colclough resigned on 21 July 2015.

L Ellis was appointed on 21 July 2015.

A Gregory was appointed on 21 July 2015 and resigned on 29 April 2016.

B Barker was appointed on 29 April 2016.

Dividends

Dividends paid in the period amounted to £684,085 (2015: £1,069,803). No further dividends are proposed for the year.

Going concern

The company's financial statements for the period ended 31 March 2016 have been prepared on a going concern basis as, after making appropriate enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future.

Events since the statement of financial position date

There have been no post statement of financial position events for 2016.

Financial instruments

The Group finances its activities with a combination of borrowings, cash and short term deposits and forward contracts/ derivatives, as disclosed in note 12. Overdrafts are used to satisfy short term cash flow requirements. Other financial assets and liabilities, such as trade receivables and trade payables, arise directly from the Group's operating activities.

Disabled employees

The Group gives full and fair consideration to applications for employment from disabled people having regards to their particular aptitudes and abilities. Efforts are made to continue the employment of those who become disabled during their employment, and training, career development and promotion is, as far as possible, identical for all employees in accordance with their skills and abilities.

Employee involvement

The Group also has a policy of communicating and consulting with its managers and employees to ensure their active involvement. Regular meetings are held between local management and employees to allow a free flow of information and ideas.

Environmental matters

The Group's activities do not have a significant environmental impact. However, the Group does recognise the importance of the environment, and acts to minimise its impact on the environment wherever it can, including recycling and reducing energy consumption.

Purchase of own shares

The Company purchased 173 A ordinary shares and 1 B ordinary share from Mr P Gilbert during the year at a cost of £50,000.

BETTERBATHROOMS (UK) LIMITED

Directors' report for the year ended 31 March 2016 (continued)

Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the Group's auditor, each director has taken all the steps that he/she is obliged to take as a director in order to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information.

Re-appointment of auditors

In accordance with s485 of the Companies Act 2006, a resolution is to be proposed at the Annual General Meeting for reappointment of Ernst & Young LLP as auditor.

By order of the board



L Ellis
Director
22-12-2016

BETTERBATHROOMS (UK) LIMITED

Directors' responsibilities statement for the year ended 31 March 2016

The directors are responsible for preparing the annual report and financial statements in accordance with applicable United Kingdom law and regulations. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. Company law requires the directors to prepare financial statements for each financial period. 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 of the profit or loss of the Company for that year. In preparing the financial statements the directors are required to:

- State whether the financial statements have been prepared in accordance with IFRS as adopted by the European Union;
- Present fairly the financial position, financial performance and cash flows of the Company;
- Select suitable accounting policies in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" and then apply them consistently;
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Make judgements that are reasonable; and
- Provide additional disclosures when compliance with specific requirements in IFRS as adopted by the European Union is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company's financial position and financial performance.

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 the Company's 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.

The directors are also responsible for preparing the annual report in accordance with the Companies Act 2006.

BETTERBATHROOMS (UK) LIMITED

Independent auditor's report to the members of Betterbathrooms (UK) Limited

We have audited the financial statements of Betterbathrooms (UK) Limited for the year ended 31 March 2016 which comprise the Consolidated Statement of comprehensive income, the Consolidated Statement of financial position, the Company Statement of financial position, the Consolidated Statement of changes in equity, the Consolidated Statement of cash flows and the related notes 1 to 26. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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 set out on pages 7, 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

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion:

- ▶ the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2016 and of the group's loss for the year then ended;
- ▶ the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- ▶ the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- ▶ the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

BETTERBATHROOMS (UK) LIMITED

Independent auditor's report to the members of Betterbathrooms (UK) Limited (continued)

Opinion on other matter prescribed by the Companies Act 2006

In our opinion:

- ▶ based on the work undertaken in the course of the audit
 - ▶ the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.
 - ▶ the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements;

Matters on which we are required to report by exception

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have identified no material misstatements in the Strategic Report or Directors' Report.

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

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

Ernst & Young LLP

Victoria Venning (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP, Statutory Auditor
Manchester

22 December 2016

BETTERBATHROOMS (UK) LIMITED

Consolidated statement of comprehensive income for the year ended 31 March 2016

	Notes	£	£
Sale of goods	4	59,004,604	49,544,969
Rental income		26,000	36,954
Revenue		59,030,604	49,581,923
Cost of sales		(30,108,899)	(25,612,573)
Gross profit		28,921,705	23,969,350
Other operating income		1,113	-
Selling and distribution cost	5	(23,430,283)	(18,559,956)
Administrative expenses	6	(5,775,522)	(5,399,364)
Other operating expenses		-	(4,029)
Operating profit	5	(282,987)	6,001
Finance costs		(101,881)	(30,395)
Finance income	5	-	22,564
Profit on ordinary activities before tax	5	(384,868)	(1,830)
Income tax expense	8	33,317	(3,000)
Loss for the year		(351,551)	(4,830)
Other comprehensive income		-	-
Total comprehensive income		(351,551)	(4,830)

All items dealt with in arriving at the profit on ordinary activities before taxation relate to continuing operations.

The notes on pages 15 to 58 are an integral part of these financial statements.

BETTERBATHROOMS (UK) LIMITED

Consolidated statement of financial position as at 31 March 2016

		2016	2015	As at 1 April 2014
	Notes	£	£	£
Assets				
Non-current assets				
Property, plant and equipment	9	11,382,877	8,871,411	3,459,213
Investment properties	10	349,709	349,709	349,709
Intangible assets	11	71,198	75,694	28,421
		<u>11,803,784</u>	<u>9,296,814</u>	<u>3,837,343</u>
Current assets				
Inventories	14	12,900,853	14,828,903	9,353,862
Trade and other receivables	15	406,437	195,415	506,386
Prepayments		2,362,360	1,863,375	529,021
Corporation tax		141,016	137,432	-
Other current financial assets	12	23,913	-	943,879
Cash and short term deposits	16	221,420	277,181	4,648,102
		<u>16,055,999</u>	<u>17,302,306</u>	<u>15,981,250</u>
Total assets		<u>27,859,783</u>	<u>26,599,120</u>	<u>19,818,593</u>
Equity and liabilities				
Equity				
Issued capital	17	115	116	116
Share premium		4,422,484	4,472,484	4,472,484
Retained earnings		5,787,969	6,823,605	7,898,238
Total equity		<u>10,210,568</u>	<u>11,296,205</u>	<u>12,370,838</u>
Non-current liabilities				
Interest-bearing loans and borrowings	12	415,986	1,029,434	387,619
Provisions	19	137,222	159,334	98,667
Deferred tax liabilities	8	284,849	277,817	131,659
		<u>838,057</u>	<u>1,466,585</u>	<u>617,945</u>
Current liabilities				
Trade and other payables	20	9,611,941	9,227,778	4,881,972
Interest-bearing loans and borrowings	12	5,012,673	3,979,798	133,739
Other current financial liabilities	12	22,800	-	940,393
Accruals and deferred revenue		1,973,744	528,754	176,643
Income tax payable		-	-	597,063
Provisions	19	190,000	100,000	100,000
Total liabilities		<u>16,811,158</u>	<u>13,836,330</u>	<u>6,829,810</u>
Total equity and liabilities		<u>27,859,783</u>	<u>26,599,120</u>	<u>19,818,593</u>

The notes on pages 15 to 58 are an integral part of these financial statements.

The financial statements were authorised for issue by the board of directors on 22 December 2016 and were signed on behalf of



L Ellis
Director

BETTERBATHROOMS (UK) LIMITED

Parent company statement of financial position for the year ended 31 March 2016

		2016	2015	As at 1 April 2014
	Notes	£	£	£
Assets				
Non-current assets				
Property, plant and equipment	9	11,382,877	8,871,411	3,459,213
Investment properties	10	349,709	349,709	349,709
Intangible assets	11	71,198	75,694	28,421
Investment in subsidiary	13	17,620	3	1
		<u>11,821,404</u>	<u>9,296,817</u>	<u>3,837,344</u>
Current assets				
Inventories	14	12,900,853	14,828,903	9,353,862
Trade and other receivables	15	406,437	195,415	506,386
Prepayments		2,362,360	1,863,375	529,021
Corporation tax		141,016	137,432	-
Other current financial assets	12	23,913		943,879
Cash and short term deposits	16	221,420	277,181	4,648,102
		<u>16,055,999</u>	<u>17,302,306</u>	<u>15,981,250</u>
Total assets		<u>27,877,403</u>	<u>26,599,123</u>	<u>19,818,594</u>
Equity and liabilities				
Equity	17			
Issued capital		115	116	116
Share premium		4,422,484	4,472,484	4,472,484
Retained earnings		5,787,969	6,823,605	7,898,238
Total equity		<u>10,210,568</u>	<u>11,296,205</u>	<u>12,370,838</u>
Non-current liabilities				
Interest-bearing loans and borrowings	12	415,986	1,029,434	387,619
Provisions	19	137,222	159,334	98,667
Deferred tax liabilities	8	284,849	277,817	131,659
		<u>838,057</u>	<u>1,466,585</u>	<u>617,945</u>
Current liabilities				
Trade and other payables	20	9,629,561	9,227,781	4,881,973
Interest-bearing loans and borrowings	12	5,012,673	3,979,798	133,739
Other current financial liabilities	12	22,800	-	940,393
Accruals and deferred revenue		1,973,744	528,754	176,643
Income tax payable	8	-	-	597,063
Provisions	19	190,000	100,000	100,000
Total liabilities		<u>16,828,778</u>	<u>13,836,333</u>	<u>6,829,811</u>
Total equity and liabilities		<u>27,877,403</u>	<u>26,599,123</u>	<u>19,818,594</u>

The notes on pages 15 to 58 are an integral part of these financial statements.

The financial statements were authorised for issue by the board of directors on 22 December 2016 and were signed on behalf of



L. Ellis
Director

BETTERBATHROOMS (UK) LIMITED

Consolidated statement of changes in equity for the year ended 31 March 2016

	Issued capital (Note 17) £	Share premium (Note 17) £	Retained earnings £	Total equity £
As at 1 April 2015	116	4,472,484	6,823,605	11,296,205
Loss for the period	-	-	(351,551)	(351,551)
Issue of share capital (Note 17)	(1)	-	-	(1)
Purchase of own shares	-	(50,000)	-	(50,000)
Dividend (Note 18)	-	-	(684,085)	(684,085)
At 31 March 2016	115	4,422,484	5,787,969	10,210,568

	Issued capital (Note 17) £	Share premium (Note 17) £	Retained earnings £	Total Equity £
As at 1 April 2014	116	4,472,484	7,898,238	12,370,838
Loss for the period	-	-	(4,830)	(4,830)
Dividend (Note 18)	-	-	(1,069,803)	(1,069,803)
At 31 March 2015	116	4,472,484	6,823,605	11,296,205

BETTERBATHROOMS (UK) LIMITED

Consolidated statement of cash flows for the year ended 31 March 2016

	Notes	2016 £	2015 £
Operating activities			
Loss after tax from continuing operations		(351,551)	(4,830)
<i>Non- cash adjustments to reconcile profit before tax to net cash flows:</i>			
Depreciation and impairment of property, plant and equipment	9	1,610,119	949,462
Amortisation and impairment of intangible assets	11	10,466	6,256
Loss on disposal of property, plant and equipment	5	-	543
Deferred tax		7,032	146,158
Finance income	5	-	(22,564)
Finance costs	5	101,881	30,395
Movements in provisions	19	67,889	60,667
<i>Working capital adjustments:</i>			
Increase in trade and other receivables		(211,022)	310,971
Decrease in inventories		1,928,050	(5,475,041)
Increase in other current financial assets		(23,913)	943,879
Increase in trade and other payables		384,163	4,345,806
Increase in prepayments		(498,985)	(1,334,354)
Increase in other current financial liabilities		22,800	(940,393)
Increase in corporation tax debtor		(3,584)	(734,495)
Increase in accruals and deferred income		1,444,990	352,111
Net cash used /flows from operating activities		4,488,335	(1,365,429)
Investing activities			
Purchase of intangible assets		(5,970)	(53,529)
Purchase of property, plant and equipment	9	(4,121,585)	(6,362,203)
Interest received		-	22,564
Net cash used/flows from investing activities		(4,127,555)	(6,393,168)
Financing activities			
Purchase of shares	17	(50,000)	-
Payment of finance lease liabilities		(342,628)	(190,353)
Proceeds from borrowings		816,053	4,732,227
Repayment of borrowings		(54,000)	(54,000)
Interest paid		(101,881)	(30,395)
Dividend paid		(684,085)	(1,069,803)
Net cash flows from financing activities		(416,540)	3,387,676
Net increase in cash and cash equivalents		(55,761)	(4,370,921)
Cash and cash equivalents at 1 April	16	277,181	4,648,102
Cash and cash equivalents at 31 March	16	221,420	277,181

The notes on pages 15 to 58 are an integral part of these financial statements.

BETTERBATHROOMS (UK) LIMITED

Notes to the consolidated financial statements for the year ended 31 March 2016

1. Corporate information

The consolidated financial statements of Betterbathrooms (UK) Limited and its subsidiaries (collectively, the Group) for the year ended 31 March 2016 were authorised for issue in accordance with a resolution of the directors on 22 December 2016. Betterbathrooms (UK) Limited (the Company) is a private limited company limited by shares incorporated and domiciled in United Kingdom. The registered office is located at Horizon Park, Greenfold Way, Leigh, Lancashire, WN7 3XH.

The Group is principally engaged in the provision of multi-channel retailer of bathroom, tile and lighting products to the public and trade. Information on Group's structure and other related party relationships of the Group is provided in Note 22.

2. Significant accounting policies

2.1 Basis of preparation

The consolidated financial statements of the Group are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board (IASB) and IFRS Interpretation Committee ('IFRS IC') interpretations, as adopted by the European Union and with those parts of the Companies Act 2006 applicable to Group are reporting under IFRS.

The consolidated financial statements are prepared on going concern basis.

For all periods up to and including the year ended 31 March 2015, the Group prepared its financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). These financial statements for the year ended 31 March 2016 are the first the Group has prepared in accordance with IFRS. Refer to Note 26 for information on how the Group adopted IFRS.

The consolidated financial statements have been prepared on a historical cost basis, except for derivative financial instruments.

The consolidated financial statements are presented in sterling (£) which is the functional currency of the Group and rounded to the nearest £.

IFRS requires the directors to adopt accounting policies that are the most appropriate to the Group's circumstances. In determining and applying accounting policies, directors and management are required to make judgements in respect of items where the choice of specific policy, accounting estimate or assumption to be followed could materially affect the Group's reported financial position, results or cash flows; it may later be determined that a different choice may have been more appropriate.

Management has identified accounting estimates and assumptions relating to revenue recognition, taxation, estimated life property, plant and equipment, residual values of property, plant and equipment, provisions and impairment that it considers to be critical due to their impact on the Group's financial statements.

2.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 March 2016.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the

BETTERBATHROOMS (UK) LIMITED

Notes to the consolidated financial statements for the year ended 31 March 2016 (continued)

2. Significant accounting policies (continued)

Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of OCI are attributed to the equity holders of the parent of the Group. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-Group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, and other components of equity, while any resultant gain or loss is recognised in consolidated income statement.

2.3 Summary of significant accounting policies

(a) Current versus non-current classification

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

BETTERBATHROOMS (UK) LIMITED

Notes to the consolidated financial statements for the year ended 31 March 2016 (continued)

2.3 Summary of significant accounting policies (continued)

(b) Fair value measurement

The Group measures financial instruments such as derivatives at fair value at each balance sheet date. Fair-value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed are summarised in the following notes:

- Disclosures for valuation methods, significant estimates and assumptions: Notes 3, 12
- Quantitative disclosures of fair value measurement hierarchy Note 12
- Financial instruments (including those carried at amortised cost) Note 12
- Investment properties under historical cost model Note 10

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

BETTERBATHROOMS (UK) LIMITED

Notes to the consolidated financial statements for the year ended 31 March 2016 (continued)

2.3 Summary of significant accounting policies (continued)

(c) Revenue recognition

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, regardless of when the payment is received. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

The specific recognition criteria described below must also be met before revenue is recognised.

Sale of goods

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods. Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, VAT, trade discounts and volume rebates, that is attributable to multi-channel retail of bathroom products to the public and trade.

Interest income

For all financial instruments measured at amortised cost, interest income is recorded using the effective interest rate (EIR). The EIR is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset. Interest income is included in finance income in the income statement.

Rental income

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and is included in revenue in the consolidated income statement due to its operating nature.

(d) Accruals

Accruals comprise expenses relating to the current year which will not be paid until after the balance sheet date. Accruals are recognised at the transaction price and shown under trade and other payables.

(e) Deferred revenue

Deferred revenue relates to income received in advance relating to the following year. Deferred revenues are recognised at the transaction price and shown on the face of consolidated financial position.

(f) Foreign currencies

The Group's consolidated financial statements are presented in sterling (£), which is also the parent Company's functional currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation and on disposal of a foreign operation; the gain or loss that is reclassified to income statement reflects the amount that arises from using this method.

Transactions and balances

Transactions in foreign currencies are initially recorded by the Group at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rates of exchange ruling at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in Consolidated Income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

BETTERBATHROOMS (UK) LIMITED

Notes to the consolidated financial statements for the year ended 31 March 2016 (continued)

2.3 Summary of significant accounting policies (continued)

(f) Foreign currencies (continued)

Group companies

On consolidation, the assets and liabilities of foreign operations are translated into sterling at the rate of exchange prevailing at the reporting date and their Consolidated Income statement are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on the translation are recognised in OCI. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is recognised in the consolidated income statement.

(g) Taxes

Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the income statement. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

BETTERBATHROOMS (UK) LIMITED

Notes to the consolidated financial statements for the year ended 31 March 2016 (continued)

2.3 Summary of significant accounting policies (continued)

(g) Taxes (continued)

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Sales tax

Revenues, expenses and assets are recognised net of the amount of sales tax, except:

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable
- Receivables and payables are stated with the amount of sales tax included

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

(h) Property, plant and equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. When significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the Consolidated Income statement as incurred.

Depreciation is provided on all property, plant and equipment, except freehold property, improvement to properties and computer equipment, on a reducing balance basis over the estimated useful lives as follows:

- | | |
|-----------------------|----------|
| • Plant and machinery | 20 years |
| • Fixtures & fittings | 20 years |
| • Motor vehicles | 15 years |

Depreciation is provided freehold property, improvement to properties and computer equipment on a straight-line basis over the estimated useful lives as follows:

- | | |
|-----------------------------|----------|
| • Freehold property | 50 years |
| • Improvement to properties | 10 years |
| • Computer equipment | 10 years |

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognised.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

BETTERBATHROOMS (UK) LIMITED

Notes to the consolidated financial statements for the year ended 31 March 2016 (continued)

2.3 Summary of significant accounting policies (continued)

(i) Investment properties

Investment properties are stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any.

Investment properties are derecognised either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the Consolidated Income statement in the period of derecognition.

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change. If owner-occupied property becomes an investment property, the Group accounts for it in accordance with the policy stated under property, plant and equipment up to the date of change.

(j) Intangible Assets

Intangible assets are measured on initial recognition at cost. The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over their useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

Domain names are amortised on a straight-line basis over the term of the related contracts. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the Consolidated Income statement in the expense category consistent with the function of the intangible assets.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the Consolidated Income statement when the asset is derecognised.

(k) Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's (CGU) fair value less costs of disposal and its value in use. It is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or Groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecasts which are prepared separately for each of the Group's CGU to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years.

Impairment losses of continuing operations are recognised in the income statement in those expense categories consistent with the function of the impaired asset.

BETTERBATHROOMS (UK) LIMITED

Notes to the consolidated financial statements for the year ended 31 March 2016 (continued)

2.3 Summary of significant accounting policies (continued)

(l) Leases

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

Refer Note 26 for exemptions availed by the Group under IFRS 1.

Group as a lessee

Assets held under finance leases and hire purchase contracts, which are those where substantially all the risks and rewards of ownership of the asset have passed to the Group, are capitalised in the Statement of financial position at the fair value of the leased property or, if lower, at the present value of the minimum lease payments.

As leased asset is depreciated over the shorter of, the finance lease term; or their useful lives in the case of assets held under finance leases or over their estimated useful lives in the case of assets held under hire purchase contracts. The corresponding lease or hire purchase obligation is capitalised in the statement of financial position as a liability.

Finance charges are recognised in finance costs in the consolidated income statement.

An operating lease is a lease other than a finance lease. Rentals paid under operating leases are charged to the consolidated income statement over the lease term.

(m) Borrowing Costs

Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. The same is expensed in the period in which they occur.

(n) Investment in subsidiary

Investment in subsidiary is held at historical cost less accumulated impairment losses.

(o) Financial instruments – initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

i) Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, AFS financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

BETTERBATHROOMS (UK) LIMITED

Notes to the consolidated financial statements for the year ended 31 March 2016 (continued)

2.3 Summary of significant accounting policies (continued)

(o) Financial instruments – initial recognition and subsequent measurement (continued)

i) Financial assets (continued)

Subsequent measurement

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives are also classified as held-for-trading unless they are designated as effective hedging instruments.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value presented as finance costs (negative net changes in fair value) or finance income (positive net changes in fair value) in the income statement.

The Group has designated forward contracts as financial assets at fair value through profit or loss.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a Group of similar financial assets) is primarily derecognised (i.e., removed from the Group's Statement of financial position) when:

- The rights to receive cash flows from the asset have expired

ii) Impairment of financial assets

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a Group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate.

iii) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts.

iv) Financial liabilities

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

BETTERBATHROOMS (UK) LIMITED

Notes to the consolidated financial statements for the year ended 31 March 2016 (continued)

2.3 Summary of significant accounting policies (continued)

(o) Financial instruments- initial recognition and subsequent measurement (continued)

iv) Financial liabilities (continued)

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised, if material, in Consolidated Income statement when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the Consolidated Income statement.

This category generally applies to interest-bearing loans and borrowings, bank overdrafts and trade and other payables. For more information, refer to Note 12.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the Consolidated Income statement.

(p) Inventories

Inventories are valued at the lower of cost and net realisable value. Inventories held by the Group include goods for resale.

Costs incurred in bringing each product to its present location and conditions. Net realisable value is based on estimated value in use less any further costs needed to bring the assets into use.

Provision is made where necessary for obsolete, slow moving and defective stocks.

(q) Cash and short-term deposits

Cash and short-term deposits in the consolidated statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Group's cash management.

(r) Provisions

General

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the income statement net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Dilapidations provisions

Dilapidations are provided on leasehold properties where the terms of the lease require the Group to make good any changes made to the property during the period of the lease. Where a dilapidation provision is required the Group recognises a provision equal to the discounted cost of restating the property to its original state.

BETTERBATHROOMS (UK) LIMITED

Notes to the consolidated financial statements for the year ended 31 March 2016 (continued)

2.3 Summary of significant accounting policies (continued)

(s) Pensions

The company operates a defined contribution pension scheme. The company recognised the contribution payable for a period:

- As a liability, after deducting any amount already paid. If contribution payments exceed the contribution due for service before the reporting date, an entity shall recognise that excess as an asset to the extent that the prepayment will lead to a reduction in future payments or a cash refund.
- As an expense, unless requires the cost to be recognised as part of the cost of an asset such as stocks or tangible assets.

3. Significant accounting judgements, estimates and assumptions

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Operating lease commitments

The Group has entered into land and building leases as lessee and freehold property leases on its investment property portfolio as lessor. The Group has determined, based on an evaluation of the terms and conditions of the arrangements such as the lease term not constituting a substantial portion of the economic life of equipment and the present value of the minimum lease payments not amounting to substantially all of the fair value of the leased equipment, and accounts for the contracts as operating leases.

Estimates and assumptions

The 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 the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Fair value measurement of financial instruments

When the fair values of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments. See Note 12 for further disclosures.

Taxation

The Group's tax charge on ordinary activities is the sum of the total current and deferred tax charges. The calculation of the Group's total tax charge involves estimation and judgement in respect of certain matters where the tax impact is uncertain until a conclusion is reached with the relevant tax authority or through a legal process. The final resolution of some of these items may give rise to material profits, losses and/or cash flows. Resolving tax issues can take many years as it is not always within the control of the Group and often depends on the efficiency of legal processes in the relevant tax jurisdiction.

BETTERBATHROOMS (UK) LIMITED

Notes to the consolidated financial statements for the year ended 31 March 2016 (continued)

3. Significant accounting judgements, estimates and assumptions (continued)

Estimation of useful life

The useful life over which tangible assets are depreciated depends on management's estimate of the period over which economic benefit will be derived from the asset.

The depreciation charge for an asset is derived using estimates of its expected useful life and expected residual value, which are reviewed annually. Increasing an asset's expected life or residual value would result in a reduced depreciation charge in the consolidated income statement. Management determines the useful lives and residual values for assets when they are acquired, based on experience with similar assets and taking into account other relevant factors such as any expected changes in technology.

4. Revenue

Turnover comprises revenue recognised by the company in respect of goods and services supplied during the year, exclusive of value added tax and trade discounts.

Rental income is derived from the investment property held by the Company.

All turnover arose within the United Kingdom.

5. Other income/expenses and adjustments

5.1 Other operating income

	2016	2015
	£	£
Fair value gain on financial instruments at fair value through profit or loss	1,113	-
Total other operating income	1,113	-

Fair value gain on financial instruments at fair value through profit or loss relates to foreign exchange forward contracts that did not qualify for hedge accounting and embedded derivatives which have been separated.

5.2 Other operating expenses

	2016	2015
	£	£
Net loss on disposal of property, plant and equipment	-	(543)
Fair value loss on financial instruments at fair value through profit or loss	-	(3,486)
Total other operating expenses	-	(4,029)

5.3 Finance costs

	2016	2015
	£	£
Interest on bank loans and overdrafts	60,248	11,526
Other interest	2,234	-
Finance charges payable under finance leases and hire purchase contracts	39,399	18,869
Total finance costs	101,881	30,395

5.4 Finance income

	2016	2015
	£	£
Interest income on bank deposits	-	22,562
Other interest	-	2
Total finance income	-	22,564

BETTERBATHROOMS (UK) LIMITED

Notes to the consolidated financial statements for the year ended 31 March 2016 (continued)

5. Other income/expenses and adjustments (continued)

5.5 Depreciation, amortisation, foreign exchange differences and cost of inventories included in the Consolidated Income statement

	2016 £	2015 £
Included in selling and distribution:		
Depreciation on property, plant and equipment	1,398,298	837,556
Hire of plant and machinery	138,483	115,326
Minimum lease payments recognised as an operating lease expense	2,358,918	1,601,868
Included in administrative expenses:		
Depreciation on property, plant and equipment	219,183	119,326
Amortisation and impairment of Intangible assets	10,467	6,424
Net foreign exchange differences	14,304	85,559
Hire of plant and machinery	912	9,982
Minimum lease payments recognised as an operating lease expense	60,501	336,336

5.6 Employee benefits expense

	2016 £	2015 £
Included in selling and distribution costs:		
Wages and salaries	5,997,520	3,392,532
Social security costs	489,473	312,820
Other pension costs	39,370	18,500
Included in administrative expenses:		
Wages and salaries	1,854,975	1,966,797
Social security costs	153,439	170,058
Other pension costs	11,353	10,004
Total employee benefit expenses	8,546,130	5,870,711

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

	2016 No	2015 No
Selling and distribution	347	263
Administration	84	64
	431	327
Directors' remuneration		
	2016 £	2015 £
Aggregate remuneration in respect of qualifying services	144,345	30,536

BETTERBATHROOMS (UK) LIMITED

Notes to the consolidated financial statements for the year ended 31 March 2016
(continued)

6. Administrative expenses

	2016	2015
	£	£
Depreciation of property, plant and equipment (Note 5)	219,183	119,326
Amortisation of intangible assets (Note 5)	10,467	6,424
Minimum lease payments recognised as an operating lease expense	60,501	336,336
Wages and salaries (Note 5)	1,854,975	1,966,797
Social security costs (Note 5)	153,439	170,058
Other pension costs (Note 5)	11,353	10,004
Directors' remuneration (Note 5)	114,345	30,536
Auditors' Remuneration (Note 7)	37,500	37,500
Hire of plant and machinery	912	9,982
Recruitment and agency staff expense	234,789	275,436
Net foreign exchange differences	14,304	85,559
Repair and maintenance	603,469	526,767
Other administrative expenses	2,460,285	1,824,639
Total administrative expenses	5,775,522	5,399,364

7. Auditor's remuneration

The Group paid the following amounts to its auditors in respect of the audit of the consolidated financial statements and for other services provided to the Group.

	2016	2015
	£	£
Audit of the financial statements	28,000	28,000
Audit of the subsidiaries	-	-
Total audit	28,000	28,000
Taxation compliance services	6,500	6,500
Other non-audit services	3,000	3,000
Total non-audit services	9,500	9,500
	37,500	37,500

BETTERBATHROOMS (UK) LIMITED

Notes to the consolidated financial statements for the year ended 31 March 2016 (continued)

8. Income tax

The major components of income tax expense for the years ended 31 March 2016 and 2015 are:

Consolidated Income statement

	2016	2015
	£	£
Current income tax:		
Current income tax charge	(40,349)	-
Adjustments in respect of current income tax of previous year	-	(143,158)
Total current tax:	(40,349)	(143,158)
Deferred tax:		
Relating to origination and reversal of temporary differences	(29,728)	146,158
Adjustment in respect of previous periods	68,410	-
Effects of tax rate changes	(31,650)	-
Total deferred tax:	7,032	146,158
Income tax expense reported in the consolidated statement of profit or loss	(33,317)	3,000

Reconciliation of tax expense and the accounting profit multiplied by United Kingdom's domestic tax rate for 2015 and 2016:

	2016	2015
	£	£
Accounting profit (loss) before income tax	(384,867)	14,810
At UK's statutory income tax rate of 20 % (2015: 21 %)	(76,973)	3,110
Adjustments in respect of current income tax of previous years	28,062	-
Utilisation of previously unrecognised tax losses	-	3,000
Depreciation in excess of capital allowances	-	-
Expenses not allowable for tax purposes	47,244	(3,110)
Effect of higher tax rates	(31,650)	-
Tax (credit)/expense for the year	(33,317)	3,000
Income tax expense reported in the consolidated statement of profit or loss	(33,317)	3,000

BETTERBATHROOMS (UK) LIMITED

Notes to the consolidated financial statements for the year ended 31 March 2016
(continued)

8. Income tax (continued)

Deferred tax

Deferred tax relates to the following:

	Consolidated statement of statement of financial position		
	2016	2015	As at 1 April 2014
	£	£	£
Accelerated depreciation for tax purposes	(277,817)	(131,659)	(131,659)
Losses available for offsetting against future taxable income	(7,032)	(146,158)	-
Net deferred tax liabilities	(284,849)	(277,817)	(131,659)
<i>Reflected in the statement of financial position as follows:</i>			
Deferred tax liabilities	(284,849)	(277,817)	(131,659)
Deferred tax liabilities	(284,849)	(277,817)	(131,659)

Reconciliation of deferred tax liabilities, net:

	2016	2015
	£	£
Opening balance as of 1 April	(277,817)	(131,659)
Tax expense during the period recognised in profit or loss	(7,032)	(146,158)
Closing balance as at 31 March	(284,849)	(277,817)

The Group offsets tax assets and liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same tax authority.

There are no income tax consequences attached to the payment of dividends in either 2016 or 2015 by the Group to its shareholders.

BETTERBATHROOMS (UK) LIMITED

Notes to the consolidated financial statements for the year ended 31 March 2016 (continued)

9. Property, plant and equipment – consolidated and company

	Freehold property £	Improvements to properties £	Plant and machinery £	Motor vehicles £	Furniture & fittings £	Computer equipment £	Total £
Cost or valuation							
At 1 April 2014	368,116	493,982	2,630,073	188,557	397,800	501,226	4,579,754
Additions	-	547,811	4,329,573	688,920	465,791	330,108	6,362,203
Disposals	-	-	-	-	-	(767)	(767)
Exchange differences	-	-	-	-	-	-	-
At 31 March 2015	368,116	1,041,793	6,959,646	877,477	863,591	830,567	10,941,190
Additions	-	221,715	3,564,490	(5,000)	259,383	80,997	4,121,585
Disposals	-	-	-	-	-	-	-
Exchange differences	-	-	-	-	-	-	-
At 31 March 2016	368,116	1,263,508	10,524,136	872,477	1,122,974	911,564	15,062,775
Depreciation and impairment							
At 1 April 2014	18,406	52,401	698,842	86,889	140,312	123,691	1,120,541
Depreciation charge for the year	7,362	73,411	617,585	115,803	69,509	65,792	949,462
Disposals	-	-	-	-	-	(224)	(224)
Exchange differences	-	-	-	-	-	-	-
At 31 March 2015	25,768	125,812	1,316,427	202,692	209,821	189,259	2,069,779
Depreciation charge for the year	7,362	116,860	1,110,426	167,446	123,123	84,902	1,610,119
Disposals	-	-	-	-	-	-	-
Exchange differences	-	-	-	-	-	-	-
At 31 March 2016	33,130	242,672	2,426,853	370,138	332,944	274,161	3,679,898
Net book value							
At 31 March 2016	334,986	1,020,836	8,097,283	502,339	790,030	637,403	11,382,877
At 31 March 2015	342,348	915,981	5,643,219	674,785	653,770	641,308	8,871,411
At 1 April 2014	349,710	441,581	1,931,231	101,668	257,488	377,535	3,459,213

BETTERBATHROOMS (UK) LIMITED

Notes to the consolidated financial statements for the year ended 31 March 2016 (continued)

9. Property, plant and equipment – consolidated and company (continued)

Additions relate to new showrooms rolled out during the 2015 and 2016.

With respect to capital commitments related disclosures, refer note 21 for details.

Finance leases

	Plant and machinery	Vehicles	Total
	£	£	£
Cost			
At 1 April 2014	77,000	177,551	254,551
Additions	604,000	669,145	1,273,145
Disposal/ transfer	-	-	-
Depreciation charge	-	-	-
At 31 March 2015	681,000	846,696	1,527,696
Additions	-	-	-
Disposal/ transfer	-	-	-
Depreciation charge	-	-	-
At 31 March 2016	681,000	846,696	1,527,696
Depreciation			
At 1 April 2014	24,535	77,678	102,213
Depreciation charge for the year	46,827	112,882	159,709
Disposals	-	-	-
At 31 March 2015	71,362	190,560	261,922
Depreciation charge for the year	6,689	164,034	170,723
Disposals	-	-	-
At 31 March 2016	78,051	354,594	432,645
Net book value			
At 31 March 2016	602,949	492,102	1,095,051
At 31 March 2015	609,638	656,136	1,265,774
At 1 April 2014	52,465	99,873	152,338

10. Investment properties – consolidated and company

	2016	2015
	£	£
Opening balance at 1 April		
At 1 April	349,709	349,709
Additions (subsequent expenditure)	-	-
Disposal/ transfer	-	-
Closing balance at 31 March	349,709	349,709

The investment property is freehold and stated at cost.

BETTERBATHROOMS (UK) LIMITED

Notes to the consolidated financial statements for the year ended 31 March 2016
(continued)

10. Investment properties – consolidated and company (continued)

	2016	2015
	£	£
Rental income derived from investment properties	26,000	36,954
Direct operating expenses (including repair and maintenance) generating rental income (included in cost of sales)	-	-
Direct operating expenses (including repair and maintenance) that did not generate rental income (included in cost of sales)	-	-
Profit arising from investment properties carried at fair value	26,000	36,954

The Group has no restrictions on the realisability of its investment properties and no contractual obligations to purchase, construct or develop investment properties or for repairs, maintenance and enhancements.

11. Intangible assets – consolidated and company

	Domain names £
<i>Cost</i>	
At 1 April 2014	34,765
Additions	53,529
Disposals	-
At 31 March 2015	88,294
Additions	5,970
Disposals	-
At 31 March 2016	94,264
<i>Amortisation and Impairment</i>	
At 1 April 2014	6,344
Amortisation charge for the year	6,256
Impairment charge for the year	-
Disposals	-
At 31 March 2015	12,600
Amortisation charge for the year	10,466
Impairment charge for the year	-
Disposals	-
At 31 March 2016	23,066
<i>Net book value</i>	
At 31 March 2016	71,198
At 31 March 2015	75,694
At 1 April 2014	28,421

Additions during the year relate to new Trade Marks purchased.

BETTERBATHROOMS (UK) LIMITED

Notes to the consolidated financial statements for the year ended 31 March 2016
(continued)

12. Financial assets and financial liabilities – consolidated and company

12.1 Financial assets

	2016	2015	At 1 April 2014
	£	£	£
Derivatives not designated as hedging instruments			
Foreign exchange forward contracts	23,913	-	943,879
Financial assets at amortised cost			
Trade and other receivables (Note 15)	390,437	179,415	490,386
Loans to related parties (Note 15)	16,000	16,000	16,000
Prepayments	2,362,360	1,863,375	529,021
Total financial assets	2,792,710	2,058,790	1,979,286
Total current	2,792,710	2,058,790	1,979,286
Total non-current	-	-	-

Derivatives not designated as hedging instruments reflect the fair value of those foreign exchange forward contracts that are not designated in hedge relationships, but are nevertheless intended to reduce the level of foreign currency risk for expected sales and purchases.

Loans and receivables are non-derivatives financial assets carried at amortised cost. The carrying value may be affected by changes in the credit risk of the counterparties.

12.2 Financial liabilities

Other financial liabilities

	2016	2015	At 1 April 2014
	£	£	£
Derivatives not designated as hedging instruments			
Foreign exchange forward contracts	22,800	-	940,393
Other financial liabilities at amortised cost, other than interest-bearing loans and borrowings			
Trade and other payables (Note 20)	9,611,941	9,227,778	4,881,972
Accruals and deferred income	1,973,744	528,754	176,643
Total other financial liabilities	11,608,485	9,756,532	5,999,008
Total current	11,608,485	9,756,532	5,999,008
Total non-current	-	-	-

BETTERBATHROOMS (UK) LIMITED

Notes to the consolidated financial statements for the year ended 31 March 2016
(continued)

12. Financial assets and financial liabilities – consolidated and company (continued)

12.2 Financial liabilities (continued)

Financial liabilities: Interest-bearing loans and borrowings

	Effective Interest rate %	Maturity	2016 £	2015 £	At 1 April 2014 £
Current interest-bearing loans and borrowings					
Obligations under finance lease and hire purchase contracts	6.56-22.40	Up to 2020	311,048	342,620	79,739
Bank overdraft ^(a)	1.25	On Demand	4,399,225	3,583,178	-
Bank loans ^(b)	2.35	2017	302,400	54,000	54,000
Total current interest-bearing loans and borrowings			5,012,673	3,979,798	133,739
Non-current interest-bearing loans and borrowings					
Obligations under finance lease and hire purchase contracts	6.56-22.40	Up to 2020	415,986	727,034	31,219
Bank loans ^(b)	2.35	2017	-	302,400	356,400
Total non-current interest-bearing loans and borrowings			415,986	1,029,434	387,619
Total interest-bearing loans and borrowings			5,428,659	5,009,232	521,358

^(a) The bank overdraft is secured by inventory purchased and interest is charged at 1.25% above LIBOR.

^(b) Bank loans is secured by a debenture against the freehold and investment property and interest is charged at 2.35% above LIBOR.

^(c) The directors' current account is interest free and repayable on demand.

BETTERBATHROOMS (UK) LIMITED

Notes to the consolidated financial statements for the year ended 31 March 2016 (continued)

12. Financial assets and financial liabilities – consolidated and company (continued)

12.3 Fair values

Set out below is a comparison, by class, of the carrying amounts and fair value of the Group's financial instruments:

	Carrying amount			Fair value		
	2016	2015	At 1 April 2014	2016	2015	At 1 April 2014
	£	£	£	£	£	£
Financial assets						
Loans and other receivables	16,000	16,000	16,000	16,000	16,000	16,000
Foreign exchange forward contracts	23,913	-	943,879	23,913	-	943,879
Total	39,913	16,000	959,879	39,913	16,000	959,879
Financial liabilities						
Foreign exchange forward contracts	22,800	-	940,393	22,800	-	940,393
Interest-bearing loans and borrowings						
Obligations under finance lease and hire purchase contracts	727,034	1,069,654	110,958	727,034	1,069,654	110,958
Bank loan	302,400	356,400	410,400	302,400	356,400	410,400
Total	1,052,234	1,426,054	1,461,751	1,052,234	1,426,054	1,461,751

The management assessed that the fair values of cash, trade receivables, prepayments trade payables, bank overdrafts and accruals and deferred revenue approximate their carrying amounts largely due to the short-term maturities of these instruments.

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

- Loans are evaluated by the Group based on parameters such as interest rates, specific country risk factors, and individual creditworthiness of the customer and the risk characteristics of the financed project. Based on this evaluation, allowances are taken into account for the expected losses of these receivables.
- The fair value of loans from banks and other financial liabilities, obligations under finance leases, as well as other non-current financial liabilities is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities. In addition to being sensitive to a reasonably possible change in the forecast cash flows or the discount rate, the fair value of the equity instruments is also sensitive to a reasonably possible change in the growth rates. The valuation requires management to use unobservable inputs in the model, of which the significant unobservable inputs are disclosed in the tables below. Management regularly assesses a range of reasonably possible alternatives for those significant unobservable inputs and determines their impact on the total fair value.
- The fair values of the Group's interest-bearing borrowings and loans are determined by using the DCF method using discount rate that reflects the issuer's borrowing rate as at the end of the reporting period. The own non-performance risk as at 31 March 2016 was assessed to be insignificant.

BETTERBATHROOMS (UK) LIMITED

Notes to the consolidated financial statements for the year ended 31 March 2016 (continued)

12. Financial assets and financial liabilities – consolidated and company (continued)

12.4 Fair value measurement

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities.

Fair value measurement hierarchy for assets as at 31 March 2016:

	Date of valuation	Total	Quoted prices in active markets (Level 1)	Fair value measurement using Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
		£	£	£	£
Financial assets measured at fair values					
Derivative financial assets:					
Foreign exchange forward contracts	31 March	23,913	-	23,913	-
Assets for which fair values are disclosed					
Other loans	31 March	16,000	-	16,000	-

There were no transfers between Level 1 and Level 2 during 2016.

Fair value measurement hierarchy for liabilities as at 31 March 2016:

	Date of valuation	Total	Quoted prices in active markets (Level 1)	Fair value measurement using Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
		£	£	£	£
Financial liabilities measured at fair values					
Derivative financial liabilities:					
Foreign exchange forward contracts	31 March	22,800	-	22,800	-
Liabilities for which fair values are disclosed					
Interest-bearing loans and borrowings					
Obligations under finance lease and hire purchase contracts	31 March	727,034	-	727,034	-
Bank loan	31 March	302,400	-	302,400	-

There were no transfers between Level 1 and Level 2 during 2016.

BETTERBATHROOMS (UK) LIMITED

Notes to the consolidated financial statements for the year ended 31 March 2016
(continued)

12. Financial assets and financial liabilities – consolidated and company (continued)

12.4 Fair value measurement (continued)

Fair value measurement hierarchy for assets as at 31 March 2015:

	Date of valuation	Total	Quoted prices in active markets (Level 1)	Fair value measurement using Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
		£	£	£	£
Assets for which fair values are disclosed					
Other loans	31 March	16,000	-	16,000	-

There were no transfers between Level 1 and Level 2 during 2015.

Fair value measurement hierarchy for liabilities as at 31 March 2015:

	Date of valuation	Total	Quoted prices in active markets (Level 1)	Fair value measurement using Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
		£	£	£	£
Liabilities for which fair values are disclosed					
Interest-bearing loans and borrowings					
Obligations under finance lease and hire purchase contracts	31 March	1,069,654	-	1,069,654	-
Bank loan	31 March	356,400	-	356,400	-

There were no transfers between Level 1 and Level 2 during 2015.

BETTERBATHROOMS (UK) LIMITED

Notes to the consolidated financial statements for the year ended 31 March 2016
(continued)

12. Financial assets and financial liabilities – consolidated and company (continued)

12.4 Fair value measurement (continued)

Fair value measurement hierarchy for assets as at 1 April 2014:

	Date of valuation	Total	Quoted prices in active markets (Level 1)	Fair value measurement using Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
		£	£	£	£
Financial assets measured at fair values					
Derivative financial assets:					
Foreign exchange forward contracts	31 March	943,879	-	943,879	-
Assets for which fair values are disclosed					
Other loans	31 March	16,000	-	16,000	-

There were no transfers between Level 1 and Level 2 during 2014.

Fair value measurement hierarchy for liabilities as at 1 April 2014:

	Date of valuation	Total	Quoted prices in active markets (Level 1)	Fair value measurement using Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
		£	£	£	£
Financial liabilities measured at fair values					
Derivative financial liabilities:					
Foreign exchange forward contracts	31 March	940,393	-	940,393	-
Liabilities for which fair values are disclosed :					
Interest-bearing loans and borrowings					
Obligations under finance lease and hire purchase contracts	31 March	110,958	-	110,958	-
Bank loan	31 March	410,400	-	410,400	-

There were no transfers between Level 1 and Level 2 during 2014.

12.5 Financial instruments risk management objectives and policies

The Group's principal financial liabilities, other than derivatives, comprise loans and borrowings, finance lease obligations, trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations and to provide guarantees to support its operations. The Group's principal financial assets include trade and other receivables and cash and short term deposits that derive directly from its operations.

BETTERBATHROOMS (UK) LIMITED

Notes to the consolidated financial statements for the year ended 31 March 2016 (continued)

12. Financial assets and financial liabilities – consolidated and company (continued)

12.5 Financial instruments risk management objectives and policies (continued)

The Group is exposed to market risk, credit risk and liquidity risk. The Company's senior management oversees the management of these risks. All derivative activities for risk management purposes are carried out by specialist teams that have the appropriate skills, experience and supervision. It is the Group's policy that no trading in derivatives for speculative purposes may be undertaken. The Board of Directors reviews and agrees policies for managing each of these risks, which are summarised below.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise three types of risk: interest rate risk, currency risk and other price risk such as equity price risk. Financial instruments affected by market risk include: loans and borrowings, deposits. The sensitivity analyses in the following sections relate to the position as at 31 March in 2016 and 2015. The sensitivity analyses have been prepared on the basis that the amount of net debt, the ratio of fixed-to-floating interest rates of the debt and the proportion of financial instruments in foreign currencies are all constant at 31 March 2016.

The analyses exclude the impact of movements in market variables on the carrying value of pension and other post-retirement obligations, provisions and the non-financial assets.

The following assumptions have been made in calculating the sensitivity analyses:

The sensitivity of the relevant Consolidated Income statement item is the effect of the assumed changes in respective market risks. This is based on the financial assets and financial liabilities held at 31 March 2016 and 2015.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates.

The Group manages its interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings. To manage this, the Group may enter into interest rate swaps, in which it agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount.

As at 31 March 2016, if the interest rates had been 10 basis points higher or lower with all other variables held constant, pre-tax losses for the year would have been £5k (2015: £4k) lower/higher.

The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment, showing a significantly lower volatility than in prior years.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a foreign currency).

Foreign currency sensitivity

As at 31 March 2016, if GBP had strengthened by 15% against the USD with all other variables held constant, pre-tax profit for the year would have been £256k (2015: £66k) higher, mainly as a result of foreign exchange gains on the translation of USD denominated trade payables.

Conversely, if GBP had weakened by 15% against the USD with all other variables held constant, pre-tax profit for the year would have been £349k (2015: £89k) lower.

The Group's exposure to foreign currency changes for all other currencies is not material.

BETTERBATHROOMS (UK) LIMITED

Notes to the consolidated financial statements for the year ended 31 March 2016 (continued)

12. Financial assets and financial liabilities – consolidated and company (continued)

12.5 Financial instruments risk management objectives and policies (continued)

Credit risk

Credit risk is the risk that a counter party will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

Liquidity risk

The Group monitors its risk of a shortage of funds using a liquidity planning tool.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, debentures, preference shares, finance leases and hire purchase contracts. The Group assessed the concentration of risk with respect to refinancing its debt and concluded it to be low. The Group has access to a sufficient variety of sources of funding and debt maturing within 12 months can be rolled over with existing lenders.

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

Year ended 31 March 2016	On demand £	Less than 3 months £	3 to 12 months £	1 to 5 years £	> 5 years £	Total £
Interest-bearing loans and borrowings:						
Obligations under finance lease and hire purchase contracts	-	77,762	233,286	415,986	-	727,034
Bank overdraft	4,399,225	-	-	-	-	4,399,225
Bank loan	-	-	54,000	248,400	-	302,400
Other:						
Trade and other payables	-	8,380,703	1,229,317	1,921	-	9,611,941
Accruals and deferred revenue	-	-	1,973,744	-	-	1,973,744
Forward contract	-	-	22,800	-	-	22,800
	4,399,225	8,458,465	3,513,147	666,307	-	17,037,144

BETTERBATHROOMS (UK) LIMITED

Notes to the consolidated financial statements for the year ended 31 March 2016
(continued)

12. Financial assets and financial liabilities – consolidated and company (continued)

12.5 Financial instruments risk management objectives and policies (continued)

Year ended 31 March 2015	On Demand £	Less than 3 months £	3 to 12 months £	1 to 5 years £	> 5 years £	Total £
Interest-bearing loans and borrowings:						
Obligations under finance lease and hire purchase contracts	-	92,557	250,063	727,034	-	1,069,654
Bank overdraft	3,583,178	-	-	-	-	3,583,178
Bank loan	-	-	54,000	302,400	-	356,400
Other:						
Trade and other payables	-	8,310,370	915,806	1,602	-	9,227,778
Accruals and deferred revenue	-	-	528,754	-	-	528,754
	3,583,178	8,402,927	1,748,623	1,031,036	-	14,765,764

Year ended 1 April 2014	On demand £	Less than 3 months £	3 to 12 months £	1 to 5 years £	> 5 Years £	Total £
Interest-bearing loans and borrowings:						
Obligations under finance lease and hire purchase contracts	-	20,217	56,800	33,941	-	110,958
Bank loan	-	-	54,000	356,400	-	410,400
Other:						
Trade and other payables	-	4,638,685	243,236	51	-	4,881,972
Accruals and deferred revenue	-	-	176,643	-	-	176,643
Forward contract	-	-	940,393	-	-	940,393
	-	4,658,902	1,471,072	390,392	-	6,520,366

BETTERBATHROOMS (UK) LIMITED

Notes to the consolidated financial statements for the year ended 31 March 2016 (continued)

12. Financial assets and financial liabilities – consolidated and company (continued)

12.6 Capital management

For the purpose of the Group's capital management, capital includes issued capital, other reserves and all other equity reserves attributable to the equity holders of the parent. The primary objective of the Group's capital management is to maximise the shareholder value.

The Group manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group's policy is to keep the gearing ratio between 0.10% and 2.50%. The Group includes within net debt, interest bearing loans and borrowings, payables, less cash at banks, excluding discontinued operations.

	2016	2015	1 April 2014
	£	£	£
Interest-bearing loans and borrowings	5,428,659	5,009,231	521,358
Trade and other payables (including accruals and deferred revenue)	11,585,685	9,756,532	5,058,615
Less: cash and short-term deposits	(221,420)	(277,181)	(4,648,102)
Net debt	16,792,924	14,488,582	931,871
Capital (equity)	10,210,568	11,296,205	12,370,838
Capital and net debt	27,003,492	25,784,787	13,302,709
Gearing ratio	1.65%	1.28%	0.08%

In order to achieve this overall objective, the Group's capital management, amongst other things, aims to ensure that it meets financial covenants attached to the interest-bearing loans and borrowings that define capital structure requirements. Breaches in meeting the financial covenants would permit the bank to immediately call loans and borrowings. There have been no breaches of the financial covenants of any interest-bearing loans and borrowing in the current period.

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 March 2016 and 2015.

BETTERBATHROOMS (UK) LIMITED

Notes to the consolidated financial statements for the year ended 31 March 2016
(continued)

13. Investments

Consolidated:

The Group has no investments.

Company:

	Investment in subsidiary companies £
Cost	
At 1 April 2015	3
Additions	17,617
31 March 2016	<u>17,620</u>
Impairment loss	
Provided during the year	<u>-</u>
Net book value	
At 31 March 2016	17,620
At 31 March 2015	<u>3</u>

Subsidiary undertakings

Name	Class of shares	Holding	Nature of business
www.taps.co.uk Ltd	Ordinary	100%	Non-trading
Tiles 2 Buy Limited	Ordinary	100%	Non-trading
Better Furniture Limited	Ordinary	100%	Non-trading
Better Baths Limited	Ordinary	100%	Non-trading
Better Lighting Limited	Ordinary	100%	Non-trading
Bathrooms 2 Buy Limited	Ordinary	100%	Non-trading
Better Retail Limited	Ordinary	100%	Non-trading
Better Tiles Limited	Ordinary	100%	Non-trading
Plumb Bathrooms Limited	Ordinary	100%	Non-trading
Better Retail Group Limited	Ordinary	100%	Non-trading
Better Furniture Group Limited	Ordinary	100%	Non-trading
Better Bathrooms GmbH	Ordinary	100%	Retail

14. Inventories – consolidated and company

	2016	2015	At 1 April 2014
	£	£	£
Goods for resale (at lower of cost and net realisable value)	12,900,853	14,828,903	9,353,862

During 2016, £21,880,105 (2015: £23,551,548) was recognised as an expense for inventories carried at net realisable value. This is recognised in cost of sales.

BETTERBATHROOMS (UK) LIMITED

Notes to the consolidated financial statements for the year ended 31 March 2016
(continued)

15. Trade and other receivables – consolidated and company

	2016	2015	At 1 April 2014
	£	£	£
Trade receivables	309,519	156,214	472,809
Other receivables	96,918	39,201	33,577
	406,437	195,415	506,386

For terms and conditions relating to related party receivables, refer to Note 23.

Trade receivables are non-interest bearing and are generally on terms of 1 to 30 days.

As at 31 March, the ageing analysis of trade receivables is, as follows:

	Total	Neither past due nor impaired	Past due but not impaired				
			< 30 days	30–60 days	61–90 Days	91–120 Days	> 120 days
	£	£	£	£	£	£	£
2016	309,519	306,270	-	3,466	(1,562)	172	1,173
2015	156,214	154,023	-	940	67	(1,449)	2,633
At 1 April 2014	472,809	470,831	-	1,670	320	(303)	291

16. Cash and short-term deposits – consolidated and company

	2016	2015	At 1 April 2014
	£	£	£
Cash at bank and on hand	221,420	277,181	4,648,102
	221,420	277,181	4,648,102

Cash at banks earns interest at floating rates based on daily bank deposit rates.

For the purpose of consolidated statement of cash flows, cash and cash equivalents comprise the following at 31 March:

	2016	2015	At 1 April 2014
	£	£	£
Cash at bank and on hand	221,420	277,181	4,648,102
Cash and cash equivalents	221,420	277,181	4,648,102

BETTERBATHROOMS (UK) LIMITED

Notes to the consolidated financial statements for the year ended 31 March 2016 (continued)

17. Issued capital and reserves – consolidated and company

Authorised shares	2016 Number	2015 Number	At 1 April 2014 Number
Ordinary shares of £0.001 each	80,924	80,924	81,000
A Ordinary shares of £0.001 each	34,509	34,682	35,000
B Ordinary shares of £0.001 each	-	1	1
	115,433	115,607	116,001

Ordinary shares issued and fully paid up	Number	£
<i>Ordinary shares</i>		
At 1 April 2014	81,000	81
Issued during the year	-	-
Purchase of own shares	76	-
At 31 March 2015	80,924	81
Issued during the year	-	-
Purchase of own shares	-	-
At 31 March 2016	80,924	81
<i>A Ordinary shares</i>		
At 1 April 2014	35,000	35
Issued during the year	-	-
Purchase of own shares	318	-
At 31 March 2015	34,682	35
Issued during the year	-	-
Purchase of own shares	173	1
At 31 March 2016	34,509	34
<i>B Ordinary shares</i>		
At 1 April 2014	1	-
Issued during the year	-	-
Purchase of own shares	-	-
At 31 March 2015	1	-
Issued during the year	-	-
Purchase of own shares	1	-
At 31 March 2016	-	-

Ordinary shares full voting rights rank after A Ordinary shares as respects dividends and capital. Ordinary shares and A Ordinary shares are not to be redeemed nor are they liable to be redeemed at the option of the Company or Shareholder. Ordinary shares hold voting rights of one vote per share, A Ordinary shares are restricted to the lower of 40% of the voting rights.

BETTERBATHROOMS (UK) LIMITED

Notes to the consolidated financial statements for the year ended 31 March 2016
(continued)

17. Issued capital and reserves – consolidated and company (continued)

Other capital reserves

	Share premium account £
At 1 April 2014	4,472,484
Transfer to the reserve	-
At 31 March 2015	4,472,484
Transfer to the reserve	-
Premium on purchase of own share	(50,000)
At 31 March 2016	<u>4,422,484</u>

Premium paid on the purchase of 173 A Ordinary shares and 1 B Ordinary share, purchase of own shares from former director of the company.

All other reserves as stated in the consolidated statement of changes in equity.

18. Distributions made and proposed

	2016 £	2015 £
Declared and paid during the year:		
<i>Cash dividends on ordinary shares</i>		
Final dividend for 2016 £nil per share (2015: £nil per share)	-	-
Interim dividend for 2016 £4.76 per ordinary share (2015: £10.76 per ordinary share) £8.65 per A ordinary share (2015: £5.77 per A ordinary share)	684,085	1,069,803
	<u>684,085</u>	<u>1,069,803</u>

BETTERBATHROOMS (UK) LIMITED

Notes to the consolidated financial statements for the year ended 31 March 2016
(continued)

19. Provisions – consolidated and company

	Dilapidation provision £
At 1 April 2014	198,667
Arising during the year	60,667
Utilised	-
Unused amounts reversed	-
Discount rate adjustment and imputed interest imputed interest	-
At 31 March 2015	259,334
Arising during the year	67,889
Utilised	-
Unused amounts reversed	-
Discount rate adjustment and imputed interest imputed interest	-
At 31 March 2016	<u>327,223</u>
As at 1 April 2014	
Current	100,000
Non-current	98,667
As at 31 March 2015	
Current	100,000
Non-current	159,333
As at 31 March 2016	
Current	190,000
Non-Current	137,222

The provision relates to returning leased properties back to the original condition when the lease expires. Additions in the year relate to the amount accruing in line with the lease end date. The effect of discounting is not material.

20. Trade and other payables (current)

Consolidated	2016 £	2015 £	At 1 April 2014 £
Trade payables	7,340,819	7,906,904	3,132,071
Other taxation and social security	1,069,675	380,883	693,602
Other payables	1,201,447	939,991	1,056,299
Total trade and other payables (current)	<u>9,611,941</u>	<u>9,227,778</u>	<u>4,881,972</u>

Terms and conditions of the above financial liabilities

- Trade payables are non-interest bearing and are normally settled on end of month following date of invoice terms
- Interest payable is normally settled quarterly throughout the financial year

For explanations on the Group's liquidity risk management processes, refer to Note 12.5.

In addition to the trade and other payables included in the table above, the Company has an intercompany payable of £17,620 (2015 – £3; 2014 – £1).

BETTERBATHROOMS (UK) LIMITED

Notes to the consolidated financial statements for the year ended 31 March 2016 (continued)

21. Commitments and contingencies

Operating lease commitments – Group as lessee

The Company has entered into operating lease agreements in respect of property.

Future minimum rentals payable under non-cancellable operating leases as at 31 March is, as follows:

	2016	2015	At 1 April 2014
	£	£	£
Within one year	2,669,220	2,462,535	1,102,153
After one year but not more than five years	8,984,427	9,079,034	3,546,391
More than five years	11,109,777	13,637,090	2,687,158
	22,763,424	25,178,659	7,335,702

Finance lease and hire purchase commitments

The Group has finance leases and hire purchase contracts for plant and machinery. Future minimum lease payments under finance leases, together with the present value of the net minimum lease payments are, as follows:

	2016		2015		At 1 April 2014	
	Minimum payments	Present value of payments	Minimum payment	Present value of payment	Minimum Payments	Present value of payment
	£	£	£	£	£	£
Within one year	311,048	311,048	342,267	342,267	77,017	77,017
After one year but not more than five years	415,986	415,986	727,034	727,034	31,219	31,219
More than five years	-	-	-	-	-	-
Total minimum lease payments	727,034	727,034	1,069,301	1,069,301	108,236	108,236
Less: amounts representing finance charges	-	-	-	-	-	-
Present value of minimum lease payments	727,034	727,034	1,069,301	1,069,301	108,236	108,236

Capital commitments

At 31 March 2016, the Group had capital commitments of £Nil (2015: Nil) relating to contracted for but not provided in these financial statements.

BETTERBATHROOMS (UK) LIMITED

Notes to the consolidated financial statements for the year ended 31 March 2016 (continued)

22. Related party disclosures

The financial statements include the financial statements of the Group and the subsidiaries listed in the following table:

Name	Principal activities	Country of incorporation	% equity interest		
			2016	2015	At 1 April 2014
www.taps.co.uk.ltd	Non-trading	England	100	100	100
Better Furniture Limited	Non-trading	England	100	100	-
Tiles 2 Buy Limited	Non-trading	England	100	100	-
Better Baths Limited	Non-trading	England	100	100	-
Better Lighting Limited	Non-trading	England	100	100	-
Bathrooms 2 Buy Limited	Non-trading	England	100	100	-
Better Retail Limited	Non-trading	England	100	100	-
Better Tiles Limited	Non-trading	England	100	100	-
Victoria Bathrooms Limited	Non-trading	England	100	100	-
Plumb Bathrooms Limited	Non-trading	England	100	100	-
Better Retail Group Limited	Non-trading	England	100	100	-
Better Furniture Group Limited	Non-trading	England	100	100	-
Better Bathrooms GmbH	Retail	Germany	100	-	-

Controlling party

The company was controlled up to 5 April 2012 by Mr C Stevens and since that date jointly with Mr P Stevens.

The following table provides the total amount of transactions that have been entered into with related parties for the relevant financial year.

		Sales to related parties	Purchases from related parties	Amounts owed by related parties*	Amounts owed to related parties*
		£	£	£	£
Key management personnel of the Group:					
Other directors' interests	2016	-	-	16,000	-
	2015	-	-	16,000	-
	1 April 2014			16,000	-

* The amounts are classified as trade receivables and trade payables, respectively (see note 12).

		Dividend paid	Amounts owed by related parties*	Amounts owed to related parties*
			£	£
Key management personnel of the Group:				
C Stevens	2016	192,044	7,643	-
	2015	392,044	-	3,276
	1 April 2014	335,647	1,575	-
P Stevens	2016	192,044	2,991	-
	2015	392,044	353	-
	1 April 2014	335,647	1,147	-

* The amounts are classified as interest bearing other creditors and other current financial assets, respectively (see note 12).

BETTERBATHROOMS (UK) LIMITED

Notes to the consolidated financial statements for the year ended 31 March 2016 (continued)

22. Related party disclosures (continued)

During the year the Group paid management fees of £53,045 (2015 £51,500) to Business Growth Fund PLC, a company who hold 29.85% of the share capital of Betterbathrooms (UK) Limited.

Terms and conditions of transactions with related parties

The sales to and purchases from related parties are made on terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year-end are unsecured and interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 March 2016, the Group has not recorded any impairment of receivables relating to amounts owed by related parties (2015: £nil). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

Compensation of key management personnel of the Group

	2016	2015
	£	£
Short-term employee benefits	143,114	30,536
Post-employment benefits	1,231	-
Total compensation paid to key management personnel	144,345	30,536

The amounts disclosed in the table are the amounts recognised as an expense during the reporting period related to key management personnel.

23. Standards issued but not yet effective

As at the date of approval of these financial statements, there were a number of standards and interpretations that have been issued, but not yet effective. The Group intends to adopt these standards, if applicable, when they become effective. The Group has not adopted any standard or interpretation early. The standards relevant to the Group are disclosed below.

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The Group plans to adopt the new standard on the required effective date and does not expect a significant impact on its balance sheet or equity on applying the classification and measurement requirements of IFRS 9. It expects to continue measuring at fair value all financial assets currently held at fair value.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a so called full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018, when the IASB finalises their amendments to defer the effective date of IFRS 15 by one year. Early adoption permitted. The Group plans to adopt the new standard on the required effective date using the full retrospective method.

BETTERBATHROOMS (UK) LIMITED

Notes to the consolidated financial statements for the year ended 31 March 2016 (continued)

23. Standards issued but not yet effective (continued)

Amendments to IAS 1 - Disclosure Initiative

The amendments to IAS 1 Presentation of Financial Statements clarify, rather than significantly change, existing IAS 1 requirements.

The amendments clarify

- ▶ The materiality requirements in IAS 1
- ▶ That specific line items in the statement(s) of profit or loss and OCI and the statement of financial position may be disaggregated
- ▶ That entities have flexibility as to the order in which they present the notes to financial statements
- ▶ That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and other comprehensive income. The amendments are effective for annual periods beginning on or after 1 January 2016. The amendments are not expected to have a significant impact on the Group.

Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are effective prospectively for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact on the Group given that it has not used a revenue-based method to depreciate its non-current assets.

Amendments to IAS 27 - Equity Method in Separate Financial Statements

The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of IFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to IFRS. The amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact on the Group's consolidated financial statements.

IFRS 16 Leases

The scope of IFRS 16 includes leases of all assets, with certain exceptions. A lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration.

IFRS 16 requires lessees to account for all leases under a single on-balance sheet model in a similar way to finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset).

Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will be required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

BETTERBATHROOMS (UK) LIMITED

Notes to the consolidated financial statements for the year ended 31 March 2016 (continued)

23. Standards issued but not yet effective (continued)

Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019.

IAS 7 Disclosure Initiative – Amendments to IAS 7

The amendments to IAS 7 Statement of Cash Flows are part of the IASB's Disclosure Initiative and require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

Amendment to IAS 7 is effective for annual periods beginning on or after 1 January 2017.

24. Off-balance sheet arrangements

The company enters into operating lease arrangements for the hire of lifting equipment as these arrangements are a cost efficient way of obtaining the short-term benefits of these assets. The company lease rental expense for the year is disclosed in Note 6. There are no other material off-balance sheet arrangements.

25. Directors' advance, credit and guarantees

The directors' current account balances are in respect of Mr C Stevens £7,643 (2015 £3,276) and Mr P Stevens £1,991 (2015 £353). These are interest free and payable on demand.

26. Transition to IFRS

For all periods up to and including the year ended 31 March 2015, the Group prepared its financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). These financial statements for the year ended 31 March 2016 are the first the Group has prepared in accordance with IFRS.

In preparing these financial statements, the Group has started from an opening statement of financial position as at 1 April 2014, the Group's date of transition to IFRS, and made those changes in accounting policies and other restatements required for the first-time adoption of IFRS. As such, this note explains the principal adjustments made by the Company in restating its consolidated statement of financial position as at 1 April 2014 prepared under previously extant UK GAAP and its previously published UK GAAP financial statements for the year ended 31 March 2015.

On transition to IFRS, the Company has applied the requirements of IFRS 1 "First time adoption of International Financial Reporting Standards".

Exemptions applied

IFRS 1 allows first-time adopters certain exemptions from the general requirements to apply IFRSs as effective for March 2016 year ends retrospectively. The Company has taken advantage of the following exemptions:

- The Group has applied the transitional provision in IFRIC 4 Determining whether an Arrangement Contains a Lease and has assessed all arrangements based upon the conditions in place as at the date of transition;
- The Group has applied the transitional provision in IFRS 1 to recognise property, plant and equipment and Investment Property at 1 April 2014 at cost or deemed cost, being the carrying value under UK GAAP.

BETTERBATHROOMS (UK) LIMITED

Notes to the consolidated financial statements for the year ended 31 March 2016 (continued)

26. Transition to IFRS (continued)

- The estimates at 1 April 2014 and 31 March 2015 are consistent with those made for the same dates in accordance with Local GAAP (after adjustments to reflect any differences in accounting policies) apart from the following items where management have revisited the basis of the estimation as part of the IFRS conversion:
 - Dilapidation provision

The estimates used by the Group to present these amounts in accordance with IFRS reflect conditions at 1 April 2014, the date of transition to IFRS and as of 31 March 2015.

- The Group has applied transitional provision of IFRS 9 including the part on classification and measurement of financial assets. IFRS 9 has two measurement categories: amortised cost and fair value. The entity has applied the classification and measurement guidance as per IFRS 9 based on facts and circumstance existing at the transition date.
- The Group has applied transitional provisions under IAS 39 and IFRS 9 regarding the day one gain or loss provisions prospectively to transactions occurring on or after the date of transition to IFRS. The 'day one' gains and losses on initial recognition of financial instruments arise if the transaction price is different from the fair value of the instrument.

BETTERBATHROOMS (UK) LIMITED

Notes to the consolidated financial statements for the year ended 31 March 2016
(continued)

26. Transition to IFRS (continued)

Group reconciliation of equity as at 1 April 2014 (date of transition to IFRS)

	Notes	UK GAAP £	Remeasurements £	IFRS as at 1 April 2014 £
Assets				
Non-current assets				
Property, plant and equipment	C	3,808,922	(349,709)	3,459,213
Investment properties	C	-	349,709	349,709
Intangible assets		28,421	-	28,421
		<u>3,837,343</u>	<u>-</u>	<u>3,837,343</u>
Current assets				
Inventories		9,353,862	-	9,353,862
Trade and other receivables		506,386	-	506,386
Prepayments		529,021	-	529,021
Other current financial assets	D		943,879	943,879
Cash and short term deposits		4,648,102	-	4,648,102
		<u>15,037,371</u>	<u>943,879</u>	<u>15,981,250</u>
Total assets		<u>18,874,714</u>	<u>943,879</u>	<u>19,818,593</u>
Equity and liabilities				
Equity				
Issued capital		116	-	116
Share premium		4,472,484	-	4,472,484
Retained earnings		8,094,482	(196,244)	7,898,238
Total equity		<u>12,567,082</u>	<u>(196,244)</u>	<u>12,370,838</u>
Non-current liabilities				
Interest-bearing loans and borrowings		387,619	-	387,619
Provisions	E	-	98,667	98,667
Deferred tax liabilities	A	131,659	-	131,659
		<u>519,278</u>	<u>98,667</u>	<u>617,945</u>
Current liabilities				
Trade and other payables		5,479,035	(597,063)	4,881,972
Interest-bearing loans and borrowings		133,739	-	133,739
Other current financial liabilities	D	-	940,393	940,393
Accruals and deferred revenue		175,580	1,063	176,643
Income tax payable		-	597,063	597,063
Provisions	E	-	100,000	100,000
Total liabilities		<u>5,788,354</u>	<u>1,041,456</u>	<u>6,829,810</u>
Total equity and liabilities		<u>18,874,714</u>	<u>943,879</u>	<u>19,818,593</u>

BETTERBATHROOMS (UK) LIMITED

Notes to the consolidated financial statements for the year ended 31 March 2016 (continued)

26. Transition to IFRS (continued)

Group reconciliation of equity as at 31 March 2015

	Notes	UK GAAP	Remeasurements	IFRS as at 31 March 2015
		£	£	£
Assets				
Non-current assets				
Property, plant and equipment	C	9,167,132	(295,721)	8,871,411
Investment properties	C	-	349,709	349,709
Intangible assets		75,694	-	75,694
		<u>9,242,826</u>	<u>53,988</u>	<u>9,296,814</u>
Current assets				
Inventories		14,828,903	-	14,828,903
Trade and other receivables		332,847	(137,432)	195,415
Prepayments		1,863,375	-	1,863,375
Corporation tax		-	137,432	137,432
Cash and short term deposits		277,181	-	277,181
		<u>17,302,306</u>	<u>-</u>	<u>17,302,306</u>
Total assets		<u>26,545,132</u>	<u>53,988</u>	<u>26,599,120</u>
Equity and liabilities				
Equity				
Issued capital		116	-	116
Share premium		4,472,484	-	4,472,484
Retained earnings		7,036,489	(212,884)	6,823,605
Total equity		<u>11,509,089</u>	<u>(212,884)</u>	<u>11,296,205</u>
Non-current liabilities				
Interest-bearing loans and borrowings		1,029,434	-	1,029,434
Provisions	E	-	159,334	159,334
Deferred tax liabilities	A	277,817	-	277,817
		<u>1,307,251</u>	<u>159,334</u>	<u>1,466,585</u>
Current liabilities				
Trade and other payables		9,227,778	-	9,227,778
Interest-bearing loans and borrowings		3,979,798	-	3,979,798
Accruals and deferred revenue		521,216	7,538	528,754
Provisions	E	-	100,000	100,000
Total liabilities		<u>13,728,792</u>	<u>107,538</u>	<u>13,836,330</u>
Total equity and liabilities		<u>26,545,132</u>	<u>53,988</u>	<u>26,599,120</u>

BETTERBATHROOMS (UK) LIMITED

Notes to the consolidated financial statements for the year ended 31 March 2016 (continued)

26. Transition to IFRS (continued)

Group reconciliation of consolidated income statement for the year ended 31 March 2015

		UK GAAP	Remeasurement	IFRS for the year ended 31 March 2015
	Notes	£	£	£
Sale of goods		49,544,969	-	49,544,969
Rental income		36,954	-	36,954
Revenue		49,581,923	-	49,581,923
Cost of sales		(25,612,573)	-	(25,612,573)
Gross profit		23,969,350	-	23,969,350
Other operating income		-	-	-
Selling and distribution costs	F	(18,600,108)	40,152	(18,559,956)
Administrative expenses	C/E	(5,346,058)	(53,306)	(5,399,364)
Other operating expenses	D	(543)	(3,486)	(4,029)
Operating profit		22,641	(16,640)	6,001
Finance costs		(30,395)	-	(30,395)
Finance income		22,564	-	22,564
Profit on ordinary activities before tax		14,810	(16,640)	(1,830)
Income tax expense		(3,000)	-	(3,000)
Profit for the year		11,810	(16,640)	(4,830)

All items dealt with in arriving at the profit on ordinary activities before taxation relate to continuing operations.

Notes to the reconciliation of equity as at 1 April 2014 and 31 March 2015 and Consolidated Income statement for the year ended 31 March 2015.

A) *Deferred tax*

The various transitional adjustments lead to different temporary differences. According to the accounting policies in Note 8, the Company has to account for such differences. Deferred tax adjustments are recognised in correlation to the underlying transaction either in retained earnings or a separate component of equity.

B) *Statement of cash flows*

The transition from UK GAAP to IFRS has not had a material impact on the statement of cash flows.

C) *Investment properties*

Under adopted IFRSs, the proportion of investment property is recognised separately, rather than property, plant and equipment and held at cost. As such, the carrying value at transition of the investment property is reclassified from property, plant and equipment to investment property.

D) *Financial assets and liabilities at fair value*

Under adopted IFRSs, recognition of financial assets and liabilities at fair value is required, the above adjustments represent forward currency contracts, under former UK GAAP companies were not required to recognise these on the balance sheet.

BETTERBATHROOMS (UK) LIMITED

Notes to the consolidated financial statements for the year ended 31 March 2016 (continued)

26. Transition to IFRS (continued)

Notes to the reconciliation of equity as at 1 April 2014 and 31 March 2015 and Consolidated Income statement for the year ended 31 March 2015 (continued)

E) Provisions

Under adopted IFRSs, recognition of the provisions on the balance sheet is required, this provision related to returning leased properties to their original condition at the end of the lease term, management have revisited the basis of the estimation as part of the IFRS conversion.

F) Rent free

Under adopted IFRSs, recognition of rent free periods of leases should be allocated over the whole of the lease, under former UK GAAP companies were only required to recognise this up to the first break date.