Registration No: 04986428

BETTERBATHROOMS (UK) LIMITED

Annual report and Consolidated financial statements
31 March 2017

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Corporate information

Directors	C Stevens P Stevens L Ellis B Barker P Cowgill
Secretary	Mrs P Hart
Auditors	Ernst & Young LLP 2 St Peter's 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

Strategic report

The directors present their annual report for the year ended 31 March 2017.

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 £1,530,180 (2016: £351,551 loss).

The directors recommend an ordinary dividend of £4.99 (2016: £4.76) per ordinary share, an A ordinary share dividend of £11.53 (2016: £8.65) per A ordinary share, a C1 ordinary share dividend of £8.36 (2016: £Nil), a C2 ordinary share dividend of £3.54 (2016: £Nil) amounting, in total, to £801,920 (2016: £684,085) for the year.

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

	Year ended 31 March 2017	Year ended 31 March 2016
Revenue (excluding rental income)	£59,225,477	£59,004,604
Revenue growth	0.4%	19.1%
Loss for the financial year	£(1,530,180)	£(351,551)

At 31 March 2017, the company had thirteen showrooms and two trade counters across the UK.

Despite an increasingly competitive trading environment and Brexit-related headwinds on foreign exchange, revenue was marginally ahead of the prior year with improved gross margins in the year of +1.7ppts, to 50.7% (2016: 49.0%).

Continued investment in people, processes and infrastructure have impacted overall profitability in the year.

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.

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.

Strategic report (continued)

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
21-12-2017

Directors' report for the year ended 31 March 2017

Registration no.: 04986428

Directors of the company

The current directors are shown on page 2.

A Gregory resigned on 29 April 2016.

B Barker was appointed on 29 April 2016 and P Cowgill was appointed on 24 January 2017.

Dividends

Dividends paid in the period amounted to £801,920 (2016: £684,085). No further dividends are proposed for the year.

Going concern

The company's financial statements for the period ended 31 March 2017 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 with the support of the investors for the foreseeable future.

Events since the statement of financial position date

Please see note 22 for events since the statement of financial position for 2017.

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.

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 made 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
21-12-2017

Directors' responsibilities statement for year ended 31 March 2017

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.

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

Opinion
We have audited the financial statements of Betterbathrooms (UK) Limited ('the parent company') and its subsidiaries (the 'group') for the year ended 31 March 2017 which comprise the Group Statement of comprehensive expense, the Group and Parent company Statement of financial position, the Group Statement of cash flows, the Group and Parent Statement of changes in equity, and the related notes 1 to 30, including a summary of significant accounting policies. 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.

In our opinion:
- the financial statements give a true and fair view of the group's and of the parent company's affairs as at 31 March 2017 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 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.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern
We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:
- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:

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

Matters on which we are required to report by exception
In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

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

- adequate accounting records have not been kept 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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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.

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

Ernst & Young LLP

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

21 December 2017

Consolidated statement of comprehensive expense for the year ended 31 March 2017

	Notes	2017 £	2016 £
Sale of goods	4	59,225,477	59,004,604
Rental income		15,167	26,000
Revenue		**59,240,644**	**59,030,604**
Cost of sales		(29,208,592)	(30,108,899)
Gross profit		**30,032,052**	**28,921,705**
Other operating income	5	-	1,113
Selling and distribution costs	5	(25,227,063)	(23,430,283)
Administrative expenses	6	(6,253,183)	(5,775,522)
Other operating expenses	5	(1,113)	-
Operating loss	5	**(1,449,307)**	**(282,987)**
Finance costs	5	(329,822)	(101,881)
Finance income	5	1	-
Loss on ordinary activities before tax	5	**(1,779,128)**	**(384,868)**
Income tax credit	8	248,948	33,317
Loss for the year		**(1,530,180)**	**(351,551)**
Other comprehensive income		-	-
Exchange losses arising on translation of foreign operations		(2,995)	-
Total comprehensive loss		**(1,533,175)**	**(351,551)**

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

The notes on pages 14 to 60 are an integral part of these financial statements.

Consolidated statement of financial position as at 31 March 2017

	Notes	2017 £	2016 £
Assets			
Non-current assets			
Property, plant and equipment	9	12,992,714	11,382,877
Investment properties	10	-	349,709
Intangible assets	11	60,724	71,198
Total non-current assets		13,053,438	11,803,784
Current assets			
Inventories	14	9,501,813	12,900,853
Trade and other receivables	15	119,593	406,437
Prepayments		2,367,679	2,362,360
Corporation tax		-	141,016
Other current financial assets	12	-	23,913
Cash and short term deposits	16	158,482	221,420
Total current assets		12,147,567	16,055,999
Total assets		**25,201,005**	**27,859,783**
Equity and liabilities			
Equity			
Issued capital	17	121	115
Share premium		4,422,484	4,422,484
Foreign exchange reserve		(2,995)	-
Retained earnings		3,455,869	5,787,969
Total equity		7,875,479	10,210,568
Non-current liabilities			
Interest-bearing loans and borrownings	12	4,193,839	415,986
Accruals		596,944	502,731
Provisions	19	276,444	137,222
Deferred tax liabilities	8	74,849	284,849
Total non current liabilities		5,142,076	1,340,788
Current liabilities			
Trade and other payables	20	8,578,313	9,611,941
Interest-bearing loans and borrowings	12	789,895	5,012,673
Other current financial liabilities	12	-	22,800
Accruals and deferred revenue	12	2,693,331	1,471,013
Corporation tax		1,911	-
Provisions	19	120,000	190,000
Total current liabilities		12,183,450	16,308,427
Total equity and liabilities		**25,201,005**	**27,859,783**

The notes on pages 14 to 60 are an integral part of these financial statements.

The financial statements were authorised for issue by the board of directors on 21 December 2017 and were signed on behalf of

L Ellis
Director

Parent company statement of financial position for the year ended 31 March 2017

	Notes	2017 £	2016 £
Assets			
Non-current assets			
Property, plant and equipment	26	12,991,941	11,382,877
Investment properties	10	-	349,709
Intangible assets	11	60,724	71,198
Investment in subsidiary	13	17,620	17,620
Total non-current assets		13,070,285	11,821,404
Current assets			
Inventories	14	9,501,812	12,900,853
Trade and other receivables	28	83,239	406,437
Prepayments		2,367,679	2,362,360
Corporation tax		-	141,016
Other current financial assets	27	-	23,913
Cash and short term deposits	29	156,186	221,420
Total current assets		12,108,916	16,055,999
Total assets		**25,179,201**	**27,877,403**
Equity and liabilities			
Equity			
Issued capital	17	121	115
Share premium		4,422,484	4,422,484
Retained earnings		3,436,610	5,787,969
Total equity		7,859,215	10,210,568
Non-current liabilities			
Interest-bearing loans and borrownings	27	4,193,839	415,986
Accrual		596,944	502,731
Provisions	19	276,444	137,222
Deferred tax liabilities	8	74,849	284,849
Total non current liabilities		5,142,076	1,340,788
Current liabilities			
Trade and other payables	30	8,572,773	9,629,561
Interest-bearing loans and borrowings	27	789,895	5,012,673
Other current financial liabilities	27	-	22,800
Accruals and deferred revenue	27	2,693,331	1,471,013
Corporation tax		1,911	-
Provisions	19	120,000	190,000
Total current liabilities		12,177,910	16,326,047
Total equity and liabilities		**25,179,201**	**27,877,403**

The notes on pages 14 to 60 are an integral part of these financial statements.

The financial statements were authorised for issue by the board of directors on 21 December 2017 and were signed on ~~behalf of~~

L Ellis
Director

Consolidated statement of changes in equity for the year ended 31 March 2017

	Issued Capital (Note 17)	Share Premuim (Note 17)	Retained Earnings	Foreign Exchange Reserve	Total Equity
	£	£	£	£	£
As at 1 April 2016	115	4,422,484	5,787,969	-	10,210,568
Loss for the period	-	-	(1,530,180)	-	(1,530,180)
Issue of share capital (Note 17)	6	-	-	-	6
Foreign exchange reserve	-	-	-	(2,995)	(2,995)
Dividend (Note 18)	-	-	(801,920)	-	(801,920)
As at 31 March 2017	**121**	**4,422,484**	**3,455,869**	**(2,995)**	**7,875,479**

	Issued Capital	Share Premuim	Retained Earnings	Foreign Exchange Reserve	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)
As at 31 March 2016	**115**	**4,422,484**	**5,787,969**	-	**10,210,568**

Consolidated statement of cash flows for the year ended 31 March 2017

	Notes	2017 £	2016 £
Operating activities			
Loss after tax from continuing operations		(1,530,180)	(351,551)
Non-cash adjustments to reconcile loss before tax to net cash flows:			
Depreciation and impairment of property, plant and equipment	9	1,843,702	1,610,119
Amortisation and impairment of intangible assets	11	10,474	10,466
Deferred tax		(210,000)	7,032
Finance income	5	(1)	-
Finance costs	5	329,822	101,881
Movements in provisions	19	69,222	67,889
Working capital adjustments:			
Decrease/(Increase) in trade and other receivables		286,844	(211,022)
Decrease in inventories		3,399,040	1,928,050
Decrease/(Increase) in other current financial assets		23,913	(23,913)
Decrease/(Increase) in trade and other payables		(1,033,628)	384,163
Increase in prepayments		(5,319)	(498,985)
Decrease/(Increase) in other current financial liabilities		(22,800)	22,800
Decrease/(Increase) in corporation tax debtor		142,927	(3,584)
Increase in accruals and deferred income		1,316,531	1,444,990
Net cash flows from operating activities		4,620,547	4,488,335
Investing activities			
Purchase of intangible assets		-	(5,970)
Purchase of property, plant and equipment	9	(3,103,830)	(4,121,585)
Interest received		1	-
Net cash used in investing activities		(3,103,829)	(4,127,555)
Funding activities			
Issue/(Purchase) of shares	17	6	(50,000)
Payment of finance lease liabilities		(311,049)	(342,621)
Proceed from borrowings		4,000,000	-
Repayment of borrowings		(302,400)	(54,000)
Interest paid		(329,822)	(101,881)
Dividend paid		(801,920)	(684,085)
Net cash flows from financing activities		2,254,815	(1,232,587)
Net increase in cash and cash equivalents		3,771,533	(871,807)
Cash and cash equivalents at 1 April	16	(4,177,804)	(3,305,997
Exchange (losses)/gains on cash and cash equivalents		(2,995)	-
Cash and cash equivalents at 31 March	16	**(409,266)**	**(4,177,804)**

The notes on pages 14 to 60 are an integral part of these financial statements.

Notes to the consolidated financial statements for the year ended 31 March 2017

1. Corporate information

The consolidated financial statements of Betterbathrooms (UK) Limited and its subsidiaries (collectively, the Group) for the year ended 31 March 2017 were authorised for issue in accordance with a resolution of the directors on 21 December 2017. 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 polices

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). The financial statements for the year ended 31 March 2016 were the first the Group prepared in accordance with 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 2017.

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 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

Notes to the consolidated financial statements for the year ended 31 March 2017 (continued)

2. Significant accounting polices (continued)

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 be 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.

(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

2.3 Summary of significant accounting policies (continued)

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.

(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.

Notes to the consolidated financial statements for the year ended 31 March 2017 (continued)

2.3 Summary of significant accounting policies (continued)

(c) Revenue recognition (continued)

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.

(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.

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

Notes to the consolidated financial statements for the year ended 31 March 2017 (continued)

2.3 Summary of significant accounting policies (continued)

(g) Taxes (continued)

- 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.

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

Notes to the consolidated financial statements for the year ended 31 March 2017 (continued)

2.3 Summary of significant accounting policies (continued)

(h) Property, plant and equipment (continued)

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.

(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.

Notes to the consolidated financial statements for the year ended 31 March 2017 (continued)

2.3 Summary of significant accounting policies (continued)

(k) Impairment of non-financial assets (continued)

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.

(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.

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.

Investment in subsidiary

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

(n) 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.

Notes to the consolidated financial statements for the year ended 31 March 2017 (continued)

2.3 Summary of significant accounting policies (continued)

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

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.

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.

Subsequent measurement

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

Notes to the consolidated financial statements for the year ended 31 March 2017 (continued)

2.3 Summary of significant accounting policies (continued)

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

iii) 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.

(o) 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.

(p) 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.

(q) 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.

Notes to the consolidated financial statements for the year ended 31 March 2017 (continued)

2.3 Summary of significant accounting policies (continued)

(a) 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.

Notes to the consolidated financial statements for the year ended 31 March 2017 (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

	2017	2016
	£	£
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

	2017	2016
	£	£
Fair value loss on financial instruments at fair value through profit or loss	(1,113)	-
Total other operating expenses	**(1,113)**	-

5.3 Finance costs

	2017	2016
	£	£
Interest on bank loans and overdrafts	23,970	60,248
Other interest	268,160	2,234
Finance charges payable under finance leases and hire purchase contracts	37,692	39,399
Total finance costs	**329,822**	**101,881**

Notes to the consolidated financial statements for the year ended 31 March 2017 (continued)

5. Other income/expenses and adjustments (continued)

5.4 Finance income

	2017	2016
	£	£
Interest income on bank deposits	1	-
Total other operating expenses	**1**	**-**

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

	2017	2016
Included in selling and distribution costs:	£	£
Depreciation on property, plant and equipment	1,627,652	1,398,298
Hire of plant and machinery	127,795	138,483
Minimum lease payments recognised as an operating lease expense	2,791,116	2,358,918

	2017	2016
Included in administrative expenses:	£	£
Depreciation on property, plant and equipment	216,050	219,183
Amortisation and impairment of Intangible assets	10,474	10,466
Net foreign exchange differences	(198,354)	14,304
Hire of plant and machinery	-	912
Minimum lease payments recognised as an operating lease expense	80,215	60,501

5.6 Employee benefits expenses

	2017	2016
Included in selling and distribution costs:	£	£
Wages and salaries	6,618,405	5,997,520
Social security costs	591,794	489,473
Other pension costs	45,377	39,370

	2017	2016
Included in administrative expenses:	£	£
Wages and salaries	2,457,218	1,854,975
Social security costs	229,076	153,439
Other pension costs	15,048	11,353
Total employee benefit expenses	**9,956,918**	**8,546,130**

Notes to the consolidated financial statements for the year ended 31 March 2017 (continued)

5.6 Employee benefits expenses (continued)

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

	2017	2016
	No.	No.
Selling and distribution	354	347
Administration	99	84
	453	431

Directors' remuneration:

	2017	2016
	£	£
Aggregate remuneration in respect of qualifying service	216,452	144,345

The emoluments to the highest paid director were £150,372 (2016 £121,202).

6. Administrative expenses

	2017	2016
	£	£
Depreciation of property, plant and equipment (Note 5)	216,050	219,183
Amortisation of intangible assets (Note 5)	10,474	10,467
Minimum lease payments recognised as an operating lease expense (Note 5)	80,215	60,501
Wages and salaries (Note 5)	2,241,138	1,854,975
Social security costs (Note 5)	229,076	153,439
Other pension costs (Note 5)	14,676	11,353
Directors' remuneration (Note 5)	216,452	114,345
Auditors' remuneration (Note 7)	36,225	37,500
Hire of plant and machinery (Note 5)	-	912
Recruitment and agency staff expense	173,128	234,789
Net foreign exchange differences	(198,354)	14,304
Repair and maintenance	694,592	603,469
Other administrative expenses	2,539,511	2,460,285
Total administrative expenses	**6,253,183**	**5,775,522**

Notes to the consolidated financial statements for the year ended 31 March 2017 (continued)

7. Auditors' 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.

	2017	2016
	£	£
Audit of the financial statements	29,400	28,000
Audit of the subsidiaries	-	-
Total audit	**29,400**	**28,000**
Taxation compliance services	6,825	6,500
Other non-audit services	-	3,000
Total non-audit services	**6,825**	**9,500**
Total auditors' remuneration	**36,225**	**37,500**

8. Income tax

The major components of income tax expense for the years ended 31 March 2017 and 2016 are;

Consolidated Income Statement

	2017	2016
Current income tax:	£	£
Current income tax charge/(credit)	(38,948)	(40,349)
Total current tax:	**(38,948)**	**(40,349)**
Deferred tax:		
Relating to origination and reversal of temporary differences	(231,982)	(29,728)
Adjustment in respect of previous periods	3,186	68,410
Effects of tax rate changes	18,796	(31,650)
Total deferred tax:	**(210,000)**	**7,032**
Income tax credit reported in the consolidated statement of profit or loss	**(248,948)**	**(33,317)**

Notes to the consolidated financial statements for the year ended 31 March 2017 (continued)

8. Income tax (continued)

Reconciliation of tax expense and the accounting profit multiplied by United Kingdom's domestic tax rate for 2017 and 2016:

	2017	2016
	£	£
Accounting profit/(Loss) before income tax	(1,779,128)	(384,867)
At UK's statutory income tax rate of 20% (2016: 20%)	(355,826)	(76,973)
Adjustments in respect of current income tax of previous years	(35,762)	28,062
Depreciation in excess of capital allowances	-	-
Expenses not allowable for tax purposes	123,844	47,244
Effect of higher tax rates	18,796	(31,650)
Tax credit for the year	**(248,948)**	**(33,317)**
Income tax credit reported in the consolidated statement of profit or loss	**(248,948)**	**(33,317)**

Deferred tax
Deferred tax relates to the following:

	Consolidated statement of Financial position	
	2017	**2016**
	£	£
Accelerated depreciation for tax purposes	(284,849)	(277,817)
Losses available for offsetting against future taxable income	210,000	(7,032)
Net deferred tax liabilities	**(74,849)**	**(284,849)**

Reflected in the statement of financial position as follows:

Deferred tax liabilities	(74,849)	(284,849)
Deferred tax liabilities	**(74,849)**	**(284,849)**

Reconciliation of deferred tax liabilities, net:

	2017	2016
	£	£
Opening balance as of 1 April	(284,849)	(277,817)
Tax expenses during the period recognised in profit or loss	210,000	(7,032)
Closing balance as at 31 March	**(74,849)**	**(284,849)**

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 levies by the same tax authority.

There are no income tax consequences attached to the payment of dividends in either 2017 or 2016 by the Group to its shareholders.

Notes to the consolidated financial statements for the year ended 31 March 2017 (continued)

9. Property, plant and equipment – consolidated

	Freehold Property	Improvements to Property	Plant and machinery	Motor vehicles	Furniture and fittings	Computer equipment	Total
	£	£	£	£	£	£	£
Cost or valuation							
As at 1 April 2016	368,116	1,263,508	10,524,136	872,477	1,122,974	911,564	15,062,775
Additions/transfer	349,709	138,401	2,811,314	-	49,393	104,722	3,453,539
At 31 March 2017	**717,825**	**1,401,909**	**13,335,450**	**872,477**	**1,172,367**	**1,016,286**	**18,516,314**
Depreciation and impairment							
As at 1 April 2016	33,130	242,672	2,426,853	370,138	332,944	274,161	3,679,898
Depreciation for the year	10,645	129,307	1,362,115	125,585	123,626	92,424	1,843,702
At 31 March 2017	**43,775**	**371,979**	**3,788,968**	**495,723**	**456,570**	**366,585**	**5,523,600**
Net book value							
At 31 March 2017	**674,050**	**1,029,930**	**9,546,482**	**376,754**	**715,797**	**649,701**	**12,992,714**
At 31 March 2016	**334,986**	**1,020,836**	**8,097,283**	**502,339**	**790,030**	**637,403**	**11,382,877**

Additions relate to new showrooms opened during 2017. The investment property transferred to owner-occupied property during the year and was transferred at fair value.

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

Notes to the consolidated financial statements for the year ended 31 March 2017 (continued)

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

Finance leases

	Plant and machinery	Motor vehicles	Total
	£	£	£
Cost			
At 1 April 2016	681,000	846,696	1,527,696
At 31 March 2017	**681,000**	**846,696**	**1,527,696**
Depreciation			
At 1 April 2016	78,051	354,594	432,645
Charge for the year	71,812	123,025	194,837
At 31 March 2017	**149,863**	**477,619**	**627,482**
Net book value			
At 31 March 2017	**531,137**	**369,077**	**900,214**
At 31 March 2016	**602,949**	**492,102**	**1,095,051**

10. Investment properties – consolidated and company

	2017	2016
	£	£
Opening balance at 1 April	349,709	349,709
Disposal/transfer	(349,709)	-
Closing balance at 31 March	-	349,709

The investment property was transferred to property, plant and equipment during the year and will be used as a showroom for the sale of bathroom furniture.

Notes to the consolidated financial statements for the year ended 31 March 2017 (continued)

10. Investment properties – consolidated and company (continued)

	2017	2016
	£	£
Rental income derived from investment properties	15,167	26,000
Profit arising from investment properties carried at fair value	**15,167**	**26,000**

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
	£
Cost	
At 1 April 2016	94,264
At 31 March 2017	**94,264**
Amortisation and Impairment	
At 1 April 2016	23,066
Amortisation charge for the year	10,474
At 31 March 2017	**33,540**
Net book value	
At 31 March 2017	**60,724**
At 31 March 2016	**71,198**

Notes to the consolidated financial statements for the year ended 31 March 2017 (continued)

12. Financial assets and financial liabilities – consolidated

12.1 Financial assets

	2017	2016
	£	£
Derivatives not designated as hedging instruments		
Foreign exchange forward contracts	-	23,913
Financial assets at amortised cost		
Trade and other receivables (Note 15)	103,593	390,437
Loans to related parties (Note 15)	16,000	16,000
Prepayments	2,367,679	2,362,360
Total financial assets	2,487,272	**2,792,710**
Total current	**2,487,272**	**2,792,710**
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 - consolidated

	2017	2016
	£	£
Derivatives not designated as hedging instruments		
Foreign exchange forward contracts	-	22,800
Other financial liabilities at amortised cost, other than interest-bearing loans and borrowings		
Trade and other payables (Note 20)	8,578,313	9,611,941
Accruals and deferred income	3,290,275	1,973,744
Total financial assets	**11,868,588**	**11,608,485**
Total current	**11,271,644**	**11,608,485**
Total non-current	**596,944**	**502,731**

Creditor current and non-current restated for the prior year.

Notes to the consolidated financial statements for the year ended 31 March 2017 (continued)

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

12.2 Financial liabilities (continued)

Financial liabilities: Interest-bearing loans and borrowings

	Effective Interest Rate %	Maturity	2017	2016
Current interest-beaing loans and borrowings				
Obligations under finance lease and hire purchase contracts	6.56-22.40	Up to 2020	222,147	311,048
Bank overdraft [(a)]	1.5	On Demand	567,748	4,399,225
Bank loans [(b)]	2.35	2017	-	302,400
Total current interest-bearing loans and borrowings			**789,895**	**5,012,673**
Non-current interest-bearing loans and borrowings				
Obligation under finance lease and hire purchase contracts	6.56-22.40	Up to 2020	193,839	415,986
Loan notes	9	2021	4,000,000	-
Total non-current interest-bearing loans and borrowings			**4,193,839**	**415,986**
Total interest-bearing loans and borrowings			**4,983,734**	**5,428,659**

(a) The bank overdraft is secured by inventory purchased and interest is charged at 1.5% above LIBOR.

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

Notes to the consolidated financial statements for the year ended 31 March 2017 (continued)

12. Financial assets and financial liabilities – consolidated (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
	2017	2016	2017	2016
	£	£	£	£
Financial assets				
Loans and other receivables	16,000	16,000	16,000	16,000
Foreign exchange forward contracts	-	23,913	-	23,913
Total	**16,000**	**39,913**	**16,000**	**39,913**
Financial liabilities				
Foreign exchange forwards contracts	-	22,800	-	22,800
Interst-bearing loans and borrowings				
Obligations under finance lease and hire purchase	415,986	727,034	415,986	727,034
Bank loan	-	302,400	-	302,400
Total	**415,986**	**1,052,234**	**415,986**	**1,052,234**

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 2017 was assessed to be insignificant.

Notes to the consolidated financial statements for the year ended 31 March 2017 (continued)

12. Financial assets and financial liabilities – consolidated (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 2017:

	Date of valuation	Total	Fair value measurement using: Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
		£	£	£	£
Financial assets measured at fair value					
Derivative financial assets:					
Foreign exchange forward contracts	31 March	-	-	-	-
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 2017.

Fair value measurement hierarchy for liabilities as at 31 March 2017:

	Date of valuation	Total	Fair value measurement using: Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
		£	£	£	£
Financial liabilities measured at fair value					
Derivative financial liabilities:					
Foreign exchange forward contracts	31 March	-	-	-	-
Liabilities for which fair values are disclosed					
Interest-bearing loans and borrowings					
Obligations under finance lease and hire purchase contracts	31 March	415,986	-	415,986	-
Bank loan	31 March	-	-	-	-

There were no transfers between Level 1 and Level 2 during 2017.

Notes to the consolidated financial statements for the year ended 31 March 2017 (continued)

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

12.4 Fair value measurement (continued)

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	Fair value measurement using: Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
		£	£	£	£
Financial assets measured at fair value					
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	Fair value measurement using: Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
		£	£	£	£
Financial liabilities measured at fair value					
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.

Notes to the consolidated financial statements for the year ended 31 March 2017 (continued)

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

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.

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 2017 and 2016. 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 2017.

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 2017 and 2016.

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 2017, 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 £0.6k (2016: £5k) 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).

Notes to the consolidated financial statements for the year ended 31 March 2017 (continued)

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

12.5 Financial instruments risk management objectives and policies (continued)

Foreign currency sensitivity

As at 31 March 2017, if GBP had strengthened by 15% against the USD with all other variables held constant, pre-tax profit for the year would have been £118k (2016: £256k) 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 £169k (2016: £349k) lower.

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

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 2017	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	144,385	193,839	-	415,986
Bank overdraft	567,748	-	-	-	-	567,748
Loan notes	-	-	-	1,333,333	2,666,667	4,000,000
Other:						
Trade and other payables	-	7,430,744	1,145,648	1,921	-	8,578,313
Accruals and deferred revenue	-	3,290,275	-	-	-	3,290,275
	567,748	**10,798,781**	**1,290,033**	**1,529,093**	**2,666,667**	**16,852,322**

Notes to the consolidated financial statements for the year ended 31 March 2017 (continued)

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

12.5 Financial instruments risk management objectives and policies (continued)

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 contracts	-	-	22,800	-	-	22,800
	4,399,225	**8,458,465**	**3,513,147**	**666,307**	**-**	**17,037,144**

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.

	2017	2016
	£	£
Interest-bearing loans and borrowings	4,983,734	5,428,659
Trade and other payables (including accruals and deferred irevenue)	11,868,588	11,585,685
Less: Cash and short-term deposits	(158,482)	(221,420)
Net debt	16,693,840	16,792,924
Capital (equity)	7,875,479	10,210,568
Capital and net debt	**24,569,319**	**27,003,492**
Gearing ratio	2.12%	1.65%

Notes to the consolidated financial statements for the year ended 31 March 2017 (continued)

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

12.6 Capital management (continued)

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 2017 and 2016.

13. Investments

Consolidated:

The Group has no investments.

Company:

	Investment in subsidiary companies
Cost	**£**
At 1 April 2016	17,620
Additions	-
31 March 2017	17,620
Impairment loss	
Provided during the year	-
Net book value	
As at 31 March 2017	17,620
As at 31 March 2016	17,620

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

Notes to the consolidated financial statements for the year ended 31 March 2017 (continued)

14. Inventories – consolidated and company

	2017	2016
	£	£
Goods for resale (at lower of cost and net realisable value)	9,501,813	12,900,853

During 2017, £19,824,423 (2016: £21,880,105) was recognised as an expense for inventories carried at net realisable value. This is recognised in cost of sales.

15. Trade and other receivables

Consolidated	2017	2016
	£	£
Trade receivables	1,411	309,519
Other receivables	118,182	96,918
	119,593	**406,437**

For terms and conditions relating to related party receivables, refer to note 22.

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

As at March 2017, the aging analysis of trade receivables is, as follows:

			Past due but not impaired				
	Total	Neither past due nor impaired	<30 days	30-60 days	61-90 days	91-120 days	>120 days
	£	£	£	£	£	£	£
2017	1,411	5,252	-	(1,275)	(2,932)	304	62
2016	309,519	306,270	-	3,466	(1,562)	172	1,173

Notes to the consolidated financial statements for the year ended 31 March 2017 (continued)

16. Cash and short-term deposits – consolidated

	2017	2016
	£	£
Cash at bank and on hand	158,482	221,420
	158,482	**221,420**

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:

	2017	2016
	£	£
Cash at bank and on hand	158,482	221,420
Bank overdraft	(567,748)	(4,399,224)
Cash and cash equivalents	**(409,266)**	**(4,177,804)**

17. Issued capital and reserves – consolidated and company

Authorised shares	**2017**	**2016**
	Number	**Number**
Ordinary shares of £0.001 each	40,462	80,924
A Ordinary shares of £0.001 each	34,509	34,509
C1 Ordinary shares of £0.001 each	12,152	-
C2 shares of £0.001 each	28,310	-
D Ordinary shares of £0.001 each	6,090	-
E Ordinary shares of £0.000001 each	1	-
	121,524	115,433

Ordinary shares issued and fully paid up	**Number**	**£**
Ordinary shares		
As at 1 April 2016	80,924	81
Issued during the year	-	-
Purchase of own shares	-	-
Reclassification of shares (C1 Ordinary and C2 shares)	40,462	40
As at 31 March 2017	**40,462**	**41**
A Ordinary shares		
As at 1 April 2016	34,509	34
Issued during the year	-	-
Purchase of own shares	-	-
As at 31 March 2017	**34,509**	**34**

Notes to the consolidated financial statements for the year ended 31 March 2017 (continued)

17. Issued capital and reserves – consolidated and company

C1 Ordinary shares		
As at 1 April 2016	-	-
Issued during the year	-	-
Reclassification of shares	12,152	12
As at 31 March 2017	**12,152**	**12**
C2 shares		
As at 1 April 2016	-	-
Issued during the year	-	-
Purchase of own shares	-	-
Reclassification of shares	28,310	28
As at 31 March 2017	**28,310**	**28**
D Ordinary shares		
As at 1 April 2016	-	-
Issued during the year	6,090	6
Purchase of own shares	-	-
As at 31 March 2017	**6,090**	**6**
E Ordinary shares		
As at 1 April 2016	-	-
Issued during the year	1	-
Purchase of own shares	-	-
As at 31 March 2017	**1**	-

Ordinary shares full voting rights rank after A Ordinary shares as respects dividends and capital. C1 Ordinary shares hold voting rights of one vote per share but caped at % of the voting rights. C2 shares hold voting rights of one vote per share but with a minimum of 28.30% of the voting rights. D Ordinary shares carry the right to vote fixed at 5% of the voting rights. E Ordinary shares do not carry the right to vote. C1 Ordinary shares and C2 shares are entitled to receive an annual cash dividend. Ordinary shares, A Ordinary shares, C1 Ordinary shares, C2 shares, D Ordinary shares and E Ordinary shares are not to be redeemed nor are they liable to be redeemed at the option of the Company or Shareholder. The share were reclassified due to the introduction of Loan notes and the amendment to the Articles of Association.

Other capital reserves

	Share premium account
As 1 April 2016	4,422,484
Transfer to the reserve	-
Premium on purchase of own shares	-
At 31 March 2017	**4,422,484**

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

Notes to the consolidated financial statements for the year ended 31 March 2017 (continued)

18. Distributions made and proposed

Declared and paid during the year:	2017	2016
Cash dividends on ordinary shares	£	£
Final dividend for 2017 £nil per share (2016: £nil per share)	-	-
Interim dividend for 2017 £4.99 per Ordinary share (2016: £4.76 per Ordinary share) £11.53 per A Ordinary share (2016: £8.65 per A Ordinary share) £8.36 per C1 Ordinary share (2016: £nil per C1 Ordinary share) £3.54 per C2 share (2016: £nil per C2 share)	801,920	684,085
	801,920	684,085

19. Provisions – consolidated and company

	Dilapidation Provision
	£
At 1 April 2016	327,222
Arising during the year	69,222
Utilised	-
Unused amounts reversed	-
Discount rate adjustment and imputed interest	-
As at 31 March 2017	**396,444**

As at 31 March 2017	
Current	120,000
Non-current	276,444
As at 1 April 2016	
Current	190,000
Non-current	137,222

The provision relates to returning leased properties back to the original condition when the lease expires.

20. Trade and other payables (current)

Consolidated	2017	2016
	£	£
Trade payables	6,772,367	7,340,819
Other taxation and social security	1,804,296	1,069,675
Other payables	1,650	1,201,447
Total trade and other payables (current)	**8,578,313**	**9,611,941**

Notes to the consolidated financial statements for the year ended 31 March 2017 (continued)

20. Trade and other payables (current) (continued)

Terms and conditions of the above financial liabilities;

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

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

21. Commitments and contingencies

Operating lease commitments – Group as Lessee

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

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

	2017	2016
	£	£
Within one year	2,877,616	2,669,220
After one year but not more than five years	11,721,997	8,984,427
More than five years	9,801,450	11,109,777
	24,401,063	**22,763,424**

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 net minimum lease payments are, as follows:

	2017		2016	
	Minimum payments	**Present value of payments**	**Minimum payments**	**Present value of payments**
	£	£	£	£
Within one year	222,147	222,147	311,048	311,048
After one year but not more than five years	193,839	193,839	415,986	415,986
More than five years	-	-	-	-
Total minimum lease payments	**415,986**	**415,986**	**727,034**	**727,034**
Less: amounts representing finance charges	-	-	-	-
Present value of minimum lease payments	**415,986**	**415,986**	**727,034**	**727,034**

Notes to the consolidated financial statements for the year ended 31 March 2017 (continued)

21. Commitments and contingencies (continued)

Capital commitments

As 31 March 2017, the Group had capital commitments of £nil (2016: £nil) relating to contracted for but not provided in these financial statements.

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 2017	% equity interest 2016
www.taps.co.uk Ltd	Non-trading	England	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	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. As at 1 July 2017 BGF Nominees Limited acquired the ability to invoke enhanced voting rights, at the signing date of the accounts, these have not been invoked.

Related party transactions

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					
Other directors' interests	2017	-	-	16,000	-
	2016	-	-	16,000	-

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

Notes to the consolidated financial statements for the year ended 31 March 2017 (continued)

22. Related party disclosures (continued)

		Dividend paid	Amounts owed by related parties*	Amounts owed to related parties*
L Stevens	2017	101,650	-	-
	2016	-	-	-
Key management personnel of the Group:				
C Stevens	2017	100,310	45,179	-
	2016	192,044	7,643	-
P Stevens	2017	201,960	606	-
	2016	192,044	2,991	-
L Ellis	2017	-	-	-
	2016	-	-	-

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

During the year the Group paid management fees of £54,636 (2016: £53,045) to Business Growth Fund PLC, a company who holds 29.85% of the share capital of Betterbathrooms (UK) Limited.

Terms and conditions of transactions with related parties

The sale to and purchase 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 guarantees provided or received for any related party receivables or payables. For the year ended 31 March 2017, the Group has not recorded any impairment of receivables relating to amounts owed by related parties (2016: £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

	2017 £	2016 £
Short-term employee benefits	216,080	143,114
Post-employment benefits	372	1,231
Total compensation paid to key management personnel	**216,452**	**144,345**

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

Notes to the consolidated financial statements for the year ended 31 March 2017 (continued)

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 is currently considering the impact of the changes 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.

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.

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.

Notes to the consolidated financial statements for the year ended 31 March 2017 (continued)

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 £45,179 (2016: £7,643) and Mr P Stevens £606 (2016: £2,991). These are interest free and payable on demand.

26. Property, plant and equipment – company

	Freehold Property	Improvements to Property	Plant and machinery	Motor vehicles	Furniture and fittings	Computer equipment	Total
	£	£	£	£	£	£	£
Cost or valuation							
As at 1 April 2016	368,116	1,263,508	10,524,136	872,477	1,122,974	911,564	15,062,775
Additions/transfer	349,709	138,401	2,810,541	-	49,393	104,722	3,452,766
At 31 March 2017	**717,825**	**1,401,909**	**13,334,677**	**872,477**	**1,172,367**	**1,016,286**	**18,515,541**
Depreciation and impairment							
As at 1 April 2016	33,130	242,672	2,426,853	370,138	332,944	274,161	3,679,898
Depreciation for the year	10,645	129,307	1,362,115	125,585	123,626	92,424	1,843,702
At 31 March 2017	**43,775**	**371,979**	**3,788,968**	**495,723**	**456,570**	**366,585**	**5,523,600**
Net book value							
At 31 March 2017	**674,050**	**1,029,930**	**9,545,709**	**376,754**	**715,797**	**649,701**	**12,991,941**
At 31 March 2016	**334,986**	**1,020,836**	**8,097,283**	**502,339**	**790,030**	**637,403**	**11,382,877**

Additions relate to new showrooms opened during 2017. The investment property transferred to owner-occupied property during the year and was transferred at fair value.

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

Notes to the consolidated financial statements for the year ended 31 March 2017 (continued)

27. Financial assets and financial liabilities – company

27.1 *Financial assets*

	2017	2016
	£	£
Derivatives not designated as hedging instruments		
Foreign exchange forward contracts	-	23,913
Financial assets at amortised cost		
Trade and other receivables (Note 28)	67,239	390,437
Loans to related parties (Note 28)	16,000	16,000
Prepayments	2,367,679	2,362,360
Total financial assets	2,450,918	**2,792,710**
Total current	**2,450,918**	**2,792,710**
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.

27.2 Financial liabilities

Other financial liabilities

	2017	2016
	£	£
Derivatives not designated as hedging instruments		
Foreign exchange forward contracts	-	22,800
Other financial liabilities at amortised cost, other than interest-bearing loans and borrowings		
Trade and other payables (Note 30)	8,572,773	9,611,941
Accruals and deferred income	3,290,275	1,973,744
Total financial assets	**11,863,048**	**11,608,485**
Total current	**11,266,104**	**11,608,485**
Total non-current	**596,944**	**502,731**

Creditor current and non-current restated for the prior year.

Notes to the consolidated financial statements for the year ended 31 March 2017 (continued)

27. Financial assets and financial liabilities – company (continued)

27.2 Financial liabilities (continued)

Financial liabilities: Interest-bearing loans and borrowings

	Effective Interest Rate %	Maturity	2017	2016
Current interest-beaing loans and borrowings				
Obligations under finance lease and hire purchase contracts	6.56-22.40	Up to 2020	222,147	311,048
Bank overdraft [(a)]	1.5	On Demand	567,748	4,399,225
Bank loans [(b)]	2.35	2017	-	302,400
Total current interest-bearing loans and borrowings			**789,895**	**5,012,673**
Non-current interest-bearing loans and borrowings				
Obligation under finance lease and hire purchase contracts	6.56-22.40	Up to 2020	193,839	415,986
Loan notes	9	2021	4,000,000	-
Total non-current interest-bearing loans and borrowings			**4,193,839**	**415,986**
Total interest-bearing loans and borrowings			**4,983,734**	**5,428,659**

(a) The bank overdraft is secured by inventory purchased and interest is charged at 1.5% above LIBOR.

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

Notes to the consolidated financial statements for the year ended 31 March 2017 (continued)

27. ***Financial assets and financial liabilities – company (continued)***

27.3 Fair values

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

	Carrying amount		Fair value	
	2017	**2016**	**2017**	**2016**
	£	**£**	**£**	**£**
Financial assets				
Loans and other receivables	16,000	16,000	16,000	16,000
Foreign exchange forward contracts	-	23,913	-	23,913
Total	**16,000**	**39,913**	**16,000**	**39,913**
Financial liabilities				
Foreign exchange forwards contracts	-	22,800	-	22,800
Interst-bearing loans and borrowings				
Obligations under finance lease and hire purchase	415,986	727,034	415,986	727,034
Bank loan	-	302,400	-	302,400
Total	**415,986**	**1,052,234**	**415,986**	**1,052,234**

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 Company 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 Company'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 2017 was assessed to be insignificant.

Notes to the consolidated financial statements for the year ended 31 March 2017 (continued)

27. Financial assets and financial liabilities – company (continued)

27.4 Fair value measurement

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

Fair value measurement hierarchy for assets as at 31 March 2017:

	Date of valuation	Total	Fair value measurement using Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
		£	£	£	£
Financial assets measured at fair value					
Derivative financial assets:					
Foreign exchange forward contracts	31 March	-	-	-	-
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 2017.

Fair value measurement hierarchy for liabilities as at 31 March 2017:

	Date of valuation	Total	Fair value measurement using Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
		£	£	£	£
Financial liabilities measured at fair value					
Derivative financial liabilities:					
Foreign exchange forward contracts	31 March	-	-	-	-
Liabilities for which fair values are disclosed					
Interest-bearing loans and borrowings					
Obligations under finance lease and hire purchase contracts	31 March	415,986	-	415,986	-
Bank loan	31 March	-	-	-	-

There were no transfers between Level 1 and Level 2 during 2017.

Notes to the consolidated financial statements for the year ended 31 March 2017 (continued)

27. Financial assets and financial liabilities – company (continued)

27.4 Fair value measurement (continued)

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

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

	Date of valuation	Total	Fair value measurement using: Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
		£	£	£	£
Financial assets measured at fair value					
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	Fair value measurement using: Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
		£	£	£	£
Financial liabilities measured at fair value					
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.

Notes to the consolidated financial statements for the year ended 31 March 2017 (continued)

27. Financial assets and financial liabilities – company (continued)

27.5 Financial instruments risk management objectives and policies

The Company'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 Company's operations and to provide guarantees to support its operations. The Company's principal financial assets include trade and other receivables and cash and short term deposits that derive directly from its operations.

The Company 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 Company'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 2017 and 2016. 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 2017.

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 2017 and 2016.

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 Company's exposure to the risk of changes in market interest rates relates primarily to the Company's long-term debt obligations with floating interest rates.

The Company manages its interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings. To manage this, the Company 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 2017, 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 £0.6k (2016: £5k) 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 Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when revenue or expense is denominated in a foreign currency).

Notes to the consolidated financial statements for the year ended 31 March 2017 (continued)

27. Financial assets and financial liabilities – company (continued)

27.5 Financial instruments risk management objectives and policies (continued)

Foreign currency sensitivity

As at 31 March 2017, if GBP had strengthened by 15% against the USD with all other variables held constant, pre-tax profit for the year would have been £118k (2016: £256k) 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 £169k (2016: £349k) lower.

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

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

The Company'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 Company assessed the concentration of risk with respect to refinancing its debt and concluded it to be low. The Company 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 Company's financial liabilities based on contractual undiscounted payments:

Year ended 31 March 2017	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	144,385	193,839	-	415,986
Bank overdraft	567,748	-	-	-	-	567,748
Loan notes	-	-	-	1,333,333	2,666,667	4,000,000
Other:						
Trade and other payables	-	7,425,204	1,145,648	1,921	-	8,572,773
Accruals and deferred revenue	-	3,290,275	-	-	-	3,290,275
	567,748	**10,793,241**	**1,290,033**	**1,529,093**	**2,666,667**	**16,846,782**

Notes to the consolidated financial statements for the year ended 31 March 2017 (continued)

27. *Financial assets and financial liabilities – company (continued)*

27.5 Financial instruments risk management objectives and policies (continued)

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 contracts	-	-	22,800	-	-	22,800
	4,399,225	**8,458,465**	**3,513,147**	**666,307**	**-**	**17,037,144**

27.6 Capital management

For the purpose of the Company'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 Company's capital management is to maximise the shareholder value.

The Company 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 Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

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

	2017	2016
	£	£
Interest-bearing loans and borrowings	4,983,734	5,428,659
Trade and other payables (including accruals and deferred revenue)	11,863,048	11,585,685
Less: Cash and short-term deposits	(156,186)	(221,420)
Net debt	16,690,596	16,792,924
Capital (equity)	7,859,215	10,210,568
Capital and net debt	**24,549,811**	**27,003,492**
Gearing ratio	2.12%	1.65%

Notes to the consolidated financial statements for the year ended 31 March 2017 (continued)

27. Financial assets and financial liabilities – company (continued)

27.6 Capital management (continued)

In order to achieve this overall objective, the Company'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 2017 and 2016.

28. Trade and other receivables

Company	2017	2016
	£	£
Trade receivables	1,411	309,519
Other receivables	81,828	96,918
	83,239	**406,437**

For terms and conditions relating to related party receivables, refer to note 22.

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

As at March 2017, the aging analysis of trade receivables is, as follows:

				Past due but not impaired			
	Total	Neither past due nor impaired	<30 days	30-60 days	61-90 days	91-120 days	>120 days
	£	£	£	£	£	£	£
2017	1,411	5,252	-	(1,275)	(2,932)	304	62
2016	309,519	306,270	-	3,466	(1,562)	172	1,173

29. Cash and short-term deposits – company

	2017	2016
	£	£
Cash at bank and on hand	156,186	221,420
	156,186	**221,420**

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

Notes to the consolidated financial statements for the year ended 31 March 2017 (continued)

29. Cash and short-term deposits – company (continued)

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

	2017	2016
	£	£
Cash at bank and on hand	156,186	221,420
Bank overdraft	(567,748)	(4,399,224)
Cash and cash equivalents	**(411,562)**	**(4,177,804)**

30. Trade and other payables (current)

Company	**2017**	**2016**
	£	£
Trade payables	6,772,367	7,358,439
Other taxation and social security	1,798,756	1,069,675
Other payables	1,650	1,201,447
Total trade and other payables (current)	**8,572,773**	**9,629,561**

Terms and conditions of the above financial liabilities;

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

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