

Company Registration No. SC026803 (Scotland)

GILLIES OF BROUGHTY FERRY LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2021

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GILLIES OF BROUGHTY FERRY LIMITED

COMPANY INFORMATION

Directors

Mr Alistair Philp
Mr Christopher Philp
Mr David Philp
Mr Ewan Philp
Mr Ian Philp
Mr Thomas Rodgers
Mr Euan Webster

Secretary

Mr Thomas Rodgers

Company number

SC026803

Registered office

172-180 Brook Street
Broughty Ferry
Dundee
DD5 2AJ

Auditor

Findlays
Chartered Accountants
11 Dudhope Terrace
Dundee
DD3 6TS

GILLIES OF BROUGHTY FERRY LIMITED

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GILLIES OF BROUGHTY FERRY LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 AUGUST 2021

The directors present the strategic report for the year ended 31 August 2021.

Fair review of the business

The Covid 19 pandemic again impacted significantly on the operations and performance of the business during this financial year. Government restrictions led to the temporary closure of the company's retail stores for more than three months, including the traditionally busy post-festive Sale period. Once again, restrictions on the ability to operate normally during the "lock down" period meant that it was necessary to furlough a significant element of the workforce and draw upon the Coronavirus Job Retention Scheme.

Trading level following the re-opening of the stores was well above the previous year's level reflecting pent up demand during the lockdown period. Turnover for the year was recorded at £18.1million, almost £4million ahead of the level in 2020, and falling a little short of what was achieved in the financial year ended 31 August 2019, the last financial year not affected by Covid-19.

The experience of the impact of the pandemic in the previous financial year gave management greater insight and allowed better informed decisions to be made about challenges faced, particularly in terms of stock and staffing resource levels, as well the impact of changes in government restrictions from time to time. The company operates with Directors who have a close involvement in the day to day operations of the business and this has proved invaluable in the face of supply chain pressures, such as freight shortages and delays, supplier price increases and additional import procedures brought about by Brexit. The Directors were able to react quickly to what was often a quick moving environment and did so in a way that protected the underpinnings of the business.

The company has returned a profit for the financial year, with the Coronavirus Job Retention Scheme and Retail Rates relief making a not insignificant contribution thereto. In addition, during the financial year, following a strategic decision made, the company disposed of heritable property which produced a gain which is included in the financial profit reported for the year.

Notwithstanding the pandemic and its key influence on the operations during the year, the Directors have continued to apply their experience and knowledge of Retail Furnishings to ensure that the company's offering to its customer base remains attractive and appealing. The company continues to follow a planned programme of refurbishment of its stores keeping the company's offering at a high standard and product ranges kept appealing. This included, during the year, work to refresh the whole of the bedding department within the company's flagship Broughty Ferry Store.

Principal risks and uncertainties

The nature of the company's business is such that the biggest risks it faces are:

- Covid 19 impact
- Consumer confidence and consumer spending patterns
- Supplier Price Inflation
- Foreign Currency Fluctuation
- Competitive Pressures

The Directors manage these risks by having close involvement in the day to day operations of the company and continually monitoring performance and assessing risk exposure, such that decisions can be taken to address any anticipated issues.

Key performance indicators

The Key Financial Performance indicators of the business are Turnover, Gross Margin and Net Profit before Tax. Turnover for the year was £18.1m, an increase of 26% on the level of £14.3m achieved in 2020 with Gross Margin increased to 49.3%, reflecting the focus of management on maintaining core profitability in the face of supplier led price inflation. The company's net profit before tax was £3.05m in 2021, an increase from £600k in the previous year when Turnover was some £4m lower.

GILLIES OF BROUGHTY FERRY LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2021

On behalf of the board



Mr Thomas Rodgers
Director

2 March 2022

GILLIES OF BROUGHTY FERRY LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 AUGUST 2021

The directors present their annual report and financial statements for the year ended 31 August 2021.

Results and dividends

The results for the year are set out on page 9.

Ordinary dividends were paid amounting to £871,188. The directors do not recommend payment of a further dividend.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

Mr Alistair Philp
Mr Christopher Philp
Mr David Philp
Mr Ewan Philp
Mr Ian Philp
Mr Thomas Rodgers
Mr Euan Webster

Auditor

In accordance with the company's articles, a resolution proposing that Findlays be reappointed as auditor of the company will be put at a General Meeting.

Statement of directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Strategic report

The company has chosen in accordance with Companies Act 2006, s. 414C(11) to set out in the company's strategic report information required by Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, Sch. 7 to be contained in the directors' report. It has done so in respect of the principal activities.

GILLIES OF BROUGHTY FERRY LIMITED

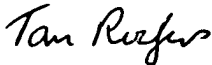
DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2021

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

On behalf of the board



Mr Thomas Rodgers
Director

2 March 2022

GILLIES OF BROUGHTY FERRY LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF GILLIES OF BROUGHTY FERRY LIMITED

Basis for qualified opinion

We have audited the financial statements of Gillies of Broughty Ferry Limited (the 'company') for the year ended 31 August 2021 which comprise the profit and loss account, the statement of comprehensive income, the balance sheet, the statement of changes in equity, the statement of cash flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

As explained in note 19 to the financial statements, the Directors have decided not to obtain an actuarial valuation of the Company Defined Benefit Scheme at the year end. This is a requirement of FRS102. As such we have not been able to obtain sufficient evidence concerning the value of the Pension Scheme assets and liabilities at the balance sheet date. The financial statements therefore do not comply with FRS102 in respect of accounting and disclosure requirements. The last actuarial valuation conducted at 31 March 2019 revealed a pension surplus of £399,000. If the valuation had been obtained at 31 August 2021 and made available to us we might have formed a different opinion.

Except for the financial effects of any adjustments that might have been found to be necessary had we been able to obtain sufficient evidence concerning the value of the Pension Scheme assets and liabilities as described in the above paragraph, in our opinion the financial statements:

In our opinion, except for the effects of the matter described above, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 August 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for qualified opinion

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

Conclusions relating to going concern

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

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

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

GILLIES OF BROUGHTY FERRY LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF GILLIES OF BROUGHTY FERRY LIMITED

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 contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of our 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 the 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 company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and the directors' report.

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of 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, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

GILLIES OF BROUGHTY FERRY LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF GILLIES OF BROUGHTY FERRY LIMITED

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

Our approach to identifying and assessing the risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, was as follows:

- The engagement partner ensured that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations
- We identified the laws and regulations applicable to the company through discussions with management and through our own knowledge of the industry
- We focused on specific laws and regulations which we considered may have a direct material effect on the financial statements; specifically Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and The Republic of Ireland (United Kingdom Generally Accepted Accounting Practice) and The Companies Act 2006
- We assessed the extent of compliance with the laws and regulation identified above through making enquiries of management and inspecting invoices for evidence of legal matters

The identified laws and regulations were communicated to the audit team regularly and the team remained alert to instances of non-compliance throughout the audit

We assessed the susceptibility of the company's financial statements to material misstatement, including obtaining an understanding of how fraud may occur, by:

- Making enquiries of management as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected and alleged fraud
- Considering internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations.

To address the risk of fraud through management bias and override of controls, we:

- Performed analytical procedures to identify and unusual or unexpected relationships
- Reviewed journal postings to identify unusual transactions

In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:

- Agreeing financial statements disclosures to underlying supporting documentation
- Enquiring of management as to actual and potential litigation and claims
- Reviewing correspondence with Companies House

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

GILLIES OF BROUGHTY FERRY LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF GILLIES OF BROUGHTY FERRY LIMITED

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.



Alexander Squires, C.A. (Senior Statutory Auditor)
For and on behalf of Findlays

Chartered Accountants
Statutory Auditor
11 Dudhope Terrace
Chartered Accountants
Dundee
DD3 6TS
2 March 2022

GILLIES OF BROUGHTY FERRY LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 AUGUST 2021

	Notes	2021 £	2020 £
Turnover	3	18,117,879	14,267,295
Cost of sales		(9,178,999)	(7,376,647)
Gross profit		8,938,880	6,890,648
Administrative expenses		(7,338,273)	(7,340,790)
Other operating income		1,447,523	1,072,302
Operating profit	4	3,048,130	622,160
Interest receivable and similar income	7	5,581	9,849
Profit before taxation		3,053,711	632,009
Tax on profit	8	(575,488)	(187,786)
Profit for the financial year		2,478,223	444,223

The profit and loss account has been prepared on the basis that all operations are continuing operations.

The notes set out on pages 14 - 26 form part of these financial statements

GILLIES OF BROUGHTY FERRY LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 AUGUST 2021

	2021	2020
	£	£
Profit for the year	2,478,223	444,223
Other comprehensive income	-	-
Total comprehensive income for the year	<u>2,478,223</u>	<u>444,223</u>

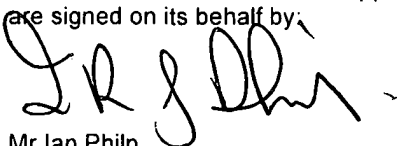
GILLIES OF BROUGHTY FERRY LIMITED

BALANCE SHEET

AS AT 31 AUGUST 2021

	Notes	2021 £	£	2020 £	£
Fixed assets					
Goodwill	10		272,474		324,374
Tangible assets	11		10,673,355		12,586,931
Investment properties	12		1,485,000		1,665,000
Investments	13		2		2
			<u>12,430,831</u>		<u>14,576,307</u>
Current assets					
Stocks	15	3,708,245		3,349,514	
Debtors	16	324,090		442,980	
Cash at bank and in hand		9,990,783		5,502,145	
		<u>14,023,118</u>		<u>9,294,639</u>	
Creditors: amounts falling due within one year	17	(5,074,159)		(4,081,126)	
Net current assets			<u>8,948,959</u>		<u>5,213,513</u>
Total assets less current liabilities			<u>21,379,790</u>		<u>19,789,820</u>
Provisions for liabilities					
Deferred tax liability	18	373,514		390,579	
		<u>373,514</u>	<u>(373,514)</u>	<u>390,579</u>	<u>(390,579)</u>
Net assets			<u>21,006,276</u>		<u>19,399,241</u>
Capital and reserves					
Called up share capital	20		6,436		6,436
Capital redemption reserve	21		3,564		3,564
Profit and loss reserves			20,996,276		19,389,241
Total equity			<u>21,006,276</u>		<u>19,399,241</u>

The financial statements were approved by the board of directors and authorised for issue on 2 March 2022 and are signed on its behalf by:



Mr Ian Philp
Director

Company Registration No. SC026803

GILLIES OF BROUGHTY FERRY LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 AUGUST 2021

	Notes	Share capital £	Capital redemption reserve £	Profit and loss reserves £	Total £
Balance at 1 September 2019		6,436	3,564	19,130,014	19,140,014
Year ended 31 August 2020:					
Profit and total comprehensive income for the year		-	-	444,223	444,223
Dividends	9	-	-	(184,996)	(184,996)
Balance at 31 August 2020		6,436	3,564	19,389,241	19,399,241
Year ended 31 August 2021:					
Profit and total comprehensive income for the year		-	-	2,478,223	2,478,223
Dividends	9	-	-	(871,188)	(871,188)
Balance at 31 August 2021		6,436	3,564	20,996,276	21,006,276

GILLIES OF BROUGHTY FERRY LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 AUGUST 2021

	Notes	2021 £	£	2020 £	£
Cash flows from operating activities					
Cash generated from operations	24	3,547,993		1,509,637	
Corporation taxes paid		(475,985)		(144,850)	
Net cash inflow from operating activities		3,072,008		1,364,787	
Investing activities					
Purchase of tangible fixed assets		(224,789)		(427,467)	
Proceeds on disposal of tangible fixed assets		2,327,026		11,080	
Proceeds on disposal of investment property		180,000		-	
Interest received		5,581		9,849	
Net cash generated from/(used in) investing activities		2,287,818		(406,538)	
Financing activities					
Dividends paid		(871,188)		(184,996)	
Net cash used in financing activities		(871,188)		(184,996)	
Net increase in cash and cash equivalents		4,488,638		773,253	
Cash and cash equivalents at beginning of year		5,502,145		4,728,892	
Cash and cash equivalents at end of year		9,990,783		5,502,145	

GILLIES OF BROUGHTY FERRY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2021

1 Accounting policies

Company information

Gillies of Broughty Ferry Limited is a private company limited by shares incorporated in Scotland. The registered office is 172-180 Brook Street, Broughty Ferry, Dundee, DD5 2AJ.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of freehold properties and to include investment properties and certain financial instruments at fair value. The principal accounting policies adopted are set out below.

1.2 Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

1.3 Turnover

Turnover is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

When cash inflows are deferred and represent a financing arrangement, the fair value of the consideration is the present value of the future receipts. The difference between the fair value of the consideration and the nominal amount received is recognised as interest income.

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 dispatch of the goods), the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

1.4 Intangible fixed assets - goodwill

Goodwill represents the excess of the cost of acquisition of the businesses over the fair value of net assets acquired. It is initially recognised as an asset at cost and is subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is considered to have a finite useful life and is amortised on a systematic basis over its expected life, which is 10 years.

For the purposes of impairment testing, goodwill is allocated to the cash-generating units expected to benefit from the acquisition. Cash-generating units to which goodwill has been allocated are tested for impairment at least annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit.

1.5 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

GILLIES OF BROUGHTY FERRY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2021

1 Accounting policies

(Continued)

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Freehold land and buildings	2.5% reducing balance
Fixtures and fittings	15-33% reducing balance
Motor vehicles	25% reducing balance

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

The company has taken advantage of the provisions within FRS 102 to adopt the deemed cost basis for valuing heritable property. This means that the value of the heritable property on 1 September 2014 (the transition date) has been deemed to be historic cost.

1.6 Investment properties

Investment property, which is property held to earn rentals and/or for capital appreciation, is initially recognised at cost, which includes the purchase cost and any directly attributable expenditure. Subsequently it is measured at fair value at the reporting end date. Changes in fair value are recognised in profit or loss.

1.7 Fixed asset investments

Interests in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

A subsidiary is an entity controlled by the company. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

An associate is an entity, being neither a subsidiary nor a joint venture, in which the company holds a long-term interest and where the company has significant influence. The company considers that it has significant influence where it has the power to participate in the financial and operating decisions of the associate.

Entities in which the company has a long term interest and shares control under a contractual arrangement are classified as jointly controlled entities.

1.8 Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

1.9 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

Stocks held for distribution at no or nominal consideration are measured at the lower of cost and replacement cost, adjusted where applicable for any loss of service potential.

GILLIES OF BROUGHTY FERRY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2021

1 Accounting policies

(Continued)

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

1.10 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.11 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

1.12 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

1.13 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

GILLIES OF BROUGHTY FERRY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2021

1 Accounting policies

(Continued)

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.14 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.15 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

The cost of providing benefits under defined benefit plans is determined separately for each plan using the projected unit credit method, and is based on actuarial advice.

The change in the net defined benefit liability arising from employee service during the year is recognised as an employee cost. The cost of plan introductions, benefit changes, settlements and curtailments are recognised as an expense in measuring profit or loss in the period in which they arise.

1.16 Leases

Rental income from operating leases is recognised on a straight line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight line basis over the lease term.

GILLIES OF BROUGHTY FERRY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2021

1 Accounting policies

(Continued)

1.17 Government grants

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

A grant that specifies performance conditions is recognised in income when the performance conditions are met. Where a grant does not specify performance conditions it is recognised in income when the proceeds are received or receivable. A grant received before the recognition criteria are satisfied is recognised as a liability.

1.18 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation in the period are included in profit or loss.

2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

3 Turnover and other revenue

	2021 £	2020 £
Turnover analysed by class of business		
Sales	18,117,879	14,267,295
	<u> </u>	<u> </u>
	2021 £	2020 £
Other significant revenue		
Interest income	5,581	9,849
Gain on sale of heritable property	620,862	-
Grants received	699,481	936,809
Rent receivable	105,945	135,493
Other income	16,706	-
	<u> </u>	<u> </u>

GILLIES OF BROUGHTY FERRY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2021

4 Operating profit

	2021 £	2020 £
Operating profit for the year is stated after charging/(crediting):		
Government grants	(699,481)	(936,809)
Fees payable to the company's auditor for the audit of the company's financial statements	10,450	10,150
Depreciation of owned tangible fixed assets	452,120	486,645
(Profit)/loss on disposal of tangible fixed assets	(19,919)	525
Amortisation of intangible assets	51,900	51,900
	<u> </u>	<u> </u>

5 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

	2021 Number	2020 Number
Sales & distribution	139	145
Office & management	38	37
Total	<u>177</u>	<u>182</u>

Their aggregate remuneration comprised:

	2021 £	2020 £
Wages and salaries	4,375,211	4,185,622
Social security costs	406,070	377,625
Pension costs	171,527	150,274
	<u>4,952,808</u>	<u>4,713,521</u>

6 Directors' remuneration

	2021 £	2020 £
Remuneration for qualifying services	581,000	561,450
Company pension contributions to defined contribution schemes	27,913	25,675
	<u>608,913</u>	<u>587,125</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 4 (2020 - 4).

GILLIES OF BROUGHTY FERRY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2021

6 Directors' remuneration (Continued)

Remuneration disclosed above include the following amounts paid to the highest paid director:

	2021 £	2020 £
Remuneration for qualifying services	112,500	103,458

7 Interest receivable and similar income

	2021 £	2020 £
Interest income		
Interest on bank deposits	5,581	9,849

Investment income includes the following:

Interest on financial assets not measured at fair value through profit or loss	5,581	9,849
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8 Taxation

	2021 £	2020 £
Current tax		
UK corporation tax on profits for the current period	592,553	176,878
Deferred tax		
Origination and reversal of timing differences	(17,065)	10,908
Total tax charge	575,488	187,786

GILLIES OF BROUGHTY FERRY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2021

8 Taxation

(Continued)

The actual charge for the year can be reconciled to the expected charge for the year based on the profit or loss and the standard rate of tax as follows:

	2021 £	2020 £
Profit before taxation	3,053,711	632,009
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2020: 19.00%)	580,205	120,082
Tax effect of expenses that are not deductible in determining taxable profit	231	340
Permanent capital allowances in excess of depreciation	(14,809)	57,503
Amortisation on assets not qualifying for tax allowances	9,861	9,861
Taxation charge for the year	575,488	187,786

9 Dividends

	2021 £	2020 £
Final paid	871,188	184,996

Included within accruals is £12,500 relating to a dividend that was still to be paid at the year end.

10 Intangible fixed assets

	Goodwill £
Cost	
At 1 September 2020 and 31 August 2021	519,000
Amortisation and impairment	
At 1 September 2020	194,626
Amortisation charged for the year	51,900
At 31 August 2021	246,526
Carrying amount	
At 31 August 2021	272,474
At 31 August 2020	324,374

GILLIES OF BROUGHTY FERRY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2021

11 Tangible fixed assets

	Freehold land and buildings £	Fixtures and fittings £	Motor vehicles £	Total £
Cost				
At 1 September 2020	14,436,849	1,037,837	1,039,263	16,513,949
Additions	88,642	10,025	126,122	224,789
Disposals	(1,834,761)	-	(67,758)	(1,902,519)
At 31 August 2021	12,690,730	1,047,862	1,097,627	14,836,219
Depreciation and impairment				
At 1 September 2020	2,578,782	703,733	644,503	3,927,018
Depreciation charged in the year	275,266	58,421	118,433	452,120
Eliminated in respect of disposals	(156,670)	-	(59,604)	(216,274)
At 31 August 2021	2,697,378	762,154	703,332	4,162,864
Carrying amount				
At 31 August 2021	9,993,352	285,708	394,295	10,673,355
At 31 August 2020	11,858,067	334,104	394,760	12,586,931

12 Investment property

	2021 £
Fair value	
At 1 September 2020	1,665,000
Disposals	(180,000)
At 31 August 2021	1,485,000

The 2016 valuations were made by Allied Surveyors Scotland PLC on an open market value for existing use basis.

The directors have considered these valuations and believe there has been no material movement since the valuations took place.

If investment properties were stated on an historical cost basis rather than a fair value basis, the amounts would have been included as follows:

	2021 £	2020 £
Cost	1,657,903	1,837,903
Accumulated depreciation	-	-
Carrying amount	1,657,903	1,837,903

GILLIES OF BROUGHTY FERRY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2021

13 Fixed asset investments

	Notes	2021 £	2020 £
Investments in subsidiaries	14	2	2

14 Subsidiaries

Details of the company's subsidiaries at 31 August 2021 are as follows:

Name of undertaking	Registered office	Class of shares held	% Held Direct
Scandinavian Interiors Limited	172-180 Brook Street, Broughty Ferry, Dundee, DD5 2AJ	Ordinary	100.00

The aggregate capital and reserves and the result for the year of the subsidiaries noted above was as follows:

Name of undertaking	Capital and Reserves £	Profit/(Loss) £
Scandinavian Interiors Limited	(224)	(224)

15 Stocks

	2021 £	2020 £
Finished goods and goods for resale	3,708,245	3,349,514

16 Debtors

	2021 £	2020 £
Amounts falling due within one year:		
Trade debtors	116,318	108,303
Prepayments and accrued income	207,772	334,677
	324,090	442,980

GILLIES OF BROUGHTY FERRY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2021

17 Creditors: amounts falling due within one year

	2021 £	2020 £
Trade creditors	1,263,966	1,132,591
Corporation tax	293,102	176,534
Other taxation and social security	903,506	669,135
Other creditors	2,290,993	1,895,560
Accruals and deferred income	322,592	207,306
	<u>5,074,159</u>	<u>4,081,126</u>

18 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the company and movements thereon:

	Liabilities 2021 £	Liabilities 2020 £
Balances:		
Accelerated capital allowances	<u>373,514</u>	<u>390,579</u>
Movements in the year:		2021 £
Liability at 1 September 2020		390,579
Credit to profit or loss		(17,065)
Liability at 31 August 2021		<u>373,514</u>

The deferred tax liability set out above is expected to reverse over future years and relates to accelerated capital allowances that are expected to mature within the same period.

19 Retirement benefit schemes

	2021 £	2020 £
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	<u>171,527</u>	<u>150,274</u>

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

At the year end there was contributions outstanding of £38,261 (2020 - £36,601) which were included within creditors in the balance sheet.

GILLIES OF BROUGHTY FERRY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2021

19 Retirement benefit schemes

(Continued)

Defined Benefit Scheme

The company provides pension arrangements to a small number of current and past employees through a defined benefit scheme and related costs are assessed in accordance with the advice of professionally qualified actuaries.

The most recent full actuarial valuation of the scheme was obtained as at 31 March 2019. The main finding at the time of the 31 March 2019 valuation showed that there was a surplus on the scheme of £399,000.

The Company has not paid for a valuation as at 31 August 2021, as it was considered to be of little value to the users of the financial statements and that the money would be better spent in the pension scheme itself.

From 27 August 2011 the Defined Benefit Scheme is closed to new members and to future accrual and any member in pensionable service under the scheme on 26 August 2011 shall become a deferred pensioner for the scheme in accordance with the approved Deed of Amendment from 27 August 2011. Accordingly from this point the company and employees will make no further contributions to the scheme in respect of future service benefits.

Specific accounting and disclosure requirements under FRS 102 have not been met as the pension valuation at 31 August 2021 has not been obtained.

20 Share capital

	2021 Number	2020 Number	2021 £	2020 £
Ordinary share capital Issued and fully paid				
Ordinary of 50p each	12,872	12,872	6,436	6,436

21 Capital redemption reserve

A number of years ago the company reduced its own share capital by £3,564.

22 Non-distributable profits reserve

Included within the profit and loss account reserve is £282,097 (2020 - £317,097) of undistributable reserves relating to the revaluation of Investment properties

23 Operating lease commitments

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2021 £	2020 £
Within one year	34,640	34,640
Between two and five years	60,620	95,260
	95,260	129,900

GILLIES OF BROUGHTY FERRY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2021

24 Cash generated from operations

	2021 £	2020 £
Profit for the year after tax	2,478,223	444,223
Adjustments for:		
Taxation charged	575,488	187,786
Investment income	(5,581)	(9,849)
(Gain)/loss on disposal of tangible fixed assets	(640,781)	525
Amortisation and impairment of intangible assets	51,900	51,900
Depreciation and impairment of tangible fixed assets	452,120	486,653
Movements in working capital:		
Increase in stocks	(358,731)	(98,769)
Decrease in debtors	118,890	18,614
Increase in creditors	876,465	428,554
Cash generated from operations	3,547,993	1,509,637

25 Analysis of changes in net funds

	1 September 2020 £	Cash flows £	31 August 2021 £
Cash at bank and in hand	5,502,145	4,488,638	9,990,783